

JANUARY \* 1954

# NATIONAL REAL ESTATE and BUILDING JOURNAL



*What's In Store for '54? — page 16*

*Balance Your Sales Scores — page 26*

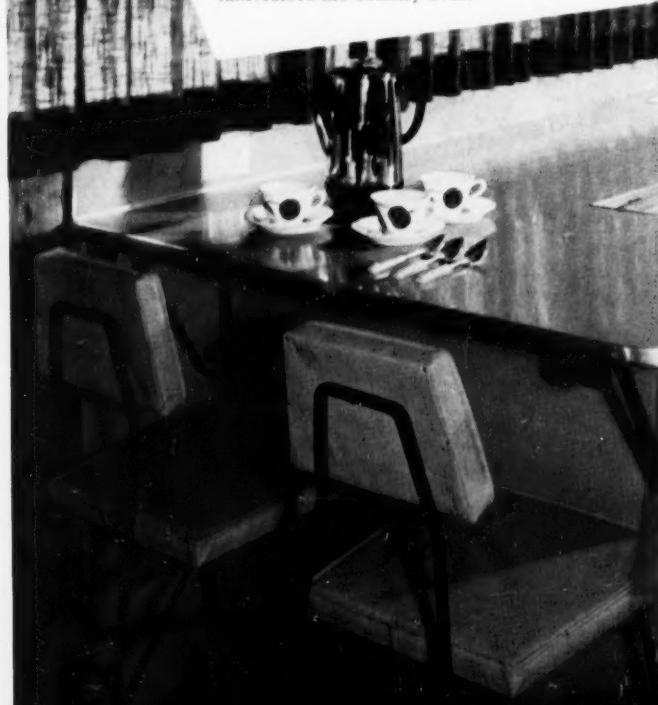


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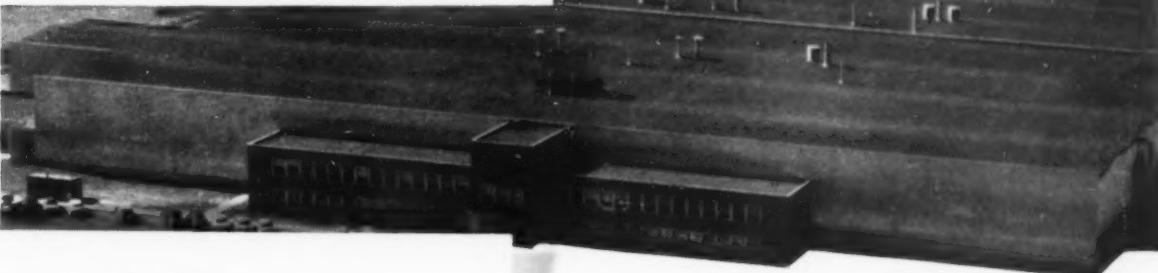
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motion and national promotion to materially assist a selected group of builders to market these two great products. This program is designed for the builder with acceptable land, market potential and a qualified building organization to realize a full return on his investment



Located near Harrisburg, Pennsylvania, this new plant will soon make the long-awaited steel home a reality. Years of research and development will bring you a strikingly-new, highly-salable product.



## • great plants



The plant of United States Steel Homes, Inc., at New Albany, Indiana, will produce Gunnison Homes and will continue to make them the outstanding values they have always been.

## • great products

in the competitive 1954 building program.

To be one of the first home builders to receive information on the great 1954 plans of United States Steel Homes, Inc., visit Booths 172-173 at the National Association of Home Builders Convention in Chicago, January 17-21. Or write on your letterhead to United States Steel Homes, Inc., Dept. NR-14, New Albany, Ind.

# United States Steel Homes, Inc.

Formerly Gunnison Homes, Inc.



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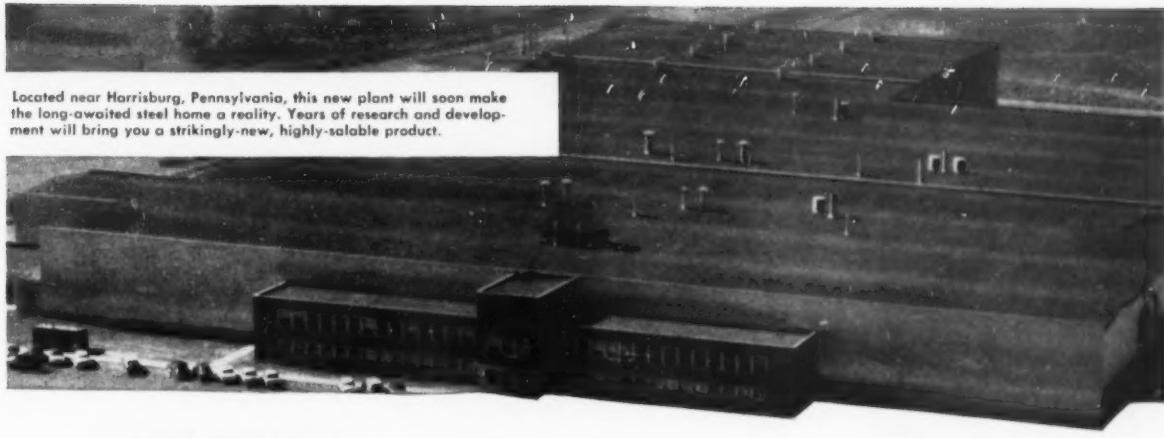
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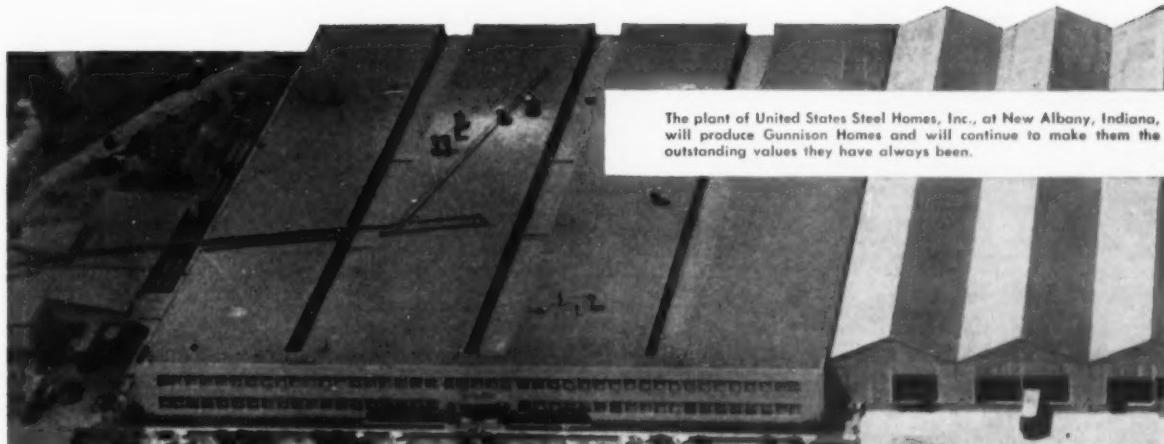
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## NOW...two great plants



The plant of United States Steel Homes, Inc., at New Albany, Indiana, will produce Gunnison Homes and will continue to make them the outstanding values they have always been.

## SOON...two great products

• United States Steel Homes, Inc. offers a vast program of construction financing, mortgage financing, local promotion and national promotion to materially assist a selected group of builders to market these two great products. This program is designed for the builder with acceptable land, market potential and a qualified building organization to realize a full return on his investment

in the competitive 1954 building program.

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# NATIONAL REAL ESTATE and BUILDING JOURNAL

VOL. 55 NO. 1



JANUARY 1954

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COVER PHOTO -- ROBERT CLEVELAND

## THE JOURNAL REPORTS



### President's Advisory Committee Reports

Perhaps the most important force in the real estate and home building business in 1954 will be the housing policy of the new Congress. And that policy is going to be shaped to a large degree by the recommendations of President Eisenhower's 22-man housing committee.

With one big exception the committee recommends no sweeping change from present policy. But that exception is important — the committee recommends a private corporation be set up to provide a secondary mortgage market. It would be federally chartered but would not require federal money. Fanny May would be liquidated and the \$2.5 billion in mortgages it now holds would be sold "over a period of years."

Where will the money come from? Original capital would be about \$50 million — raised by selling stock in the corporation to the 11 Federal Home Loan Banks. Another source would be lenders who would sell mortgages to the corporation — savings and loan

associations, insurance companies, mortgage lenders. They would buy stock in proportion to the amount of mortgages they would sell to the private corporation.

Here's how it works: Suppose an insurance company wants to sell \$1 million in mortgages to the corporation. The company would then be required to maintain stock equivalent to 4% of the unpaid balance of its mortgages held by the corporation, or \$40,000 worth.

Debentures would be issued on the private market and without a government guarantee up to 12 times the amount of its stock and surplus. Enough debentures could be sold on \$50 million of capital to raise \$600 million for purchasing more mortgages. The quantity of debentures issued, of course, would increase with capital.

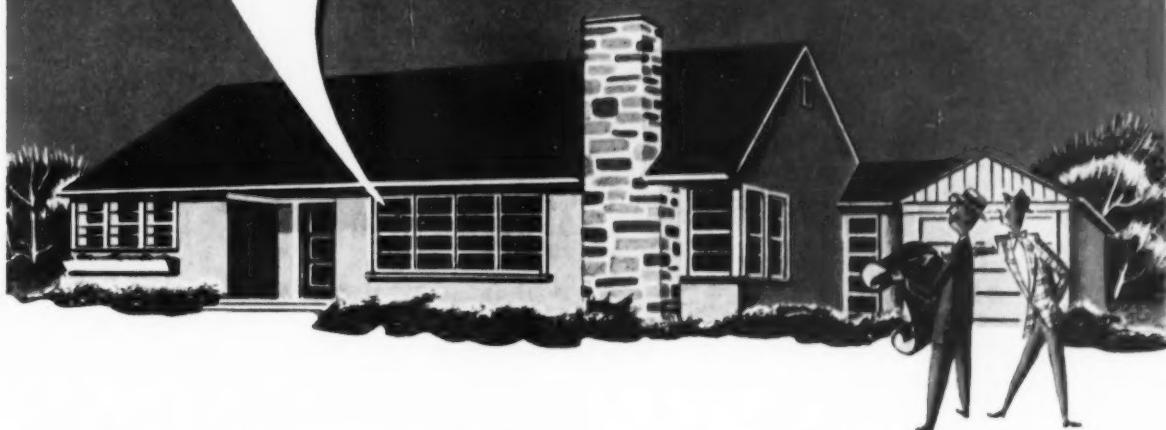
To help decentralize the supply of money and provide a constant supply of mortgage funds in all sections of the country the committee proposes that the



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11 Federal Home Loan Banks take over as regional offices of the private corporation. Administering agency would be the Federal Home Loan Bank Board in Washington, D. C.

Compared with NAREB's Central National Mortgage Associations proposal, the big advantage of the new plan is that government funds would not be used. It would put the government out of the mortgage buying business and would help cut federal spending.

#### Other Recommendations

Here are other highlights: Although the committee recommended certain small changes in the present public housing program, it did endorse the current program. The number of public housing units which should be started in a year is to be decided by the Administration and Congress.

In the current fiscal year public housers have taken a dim view of things. Congress approved only 20,000 public housing starts after the administration had asked for 35,000.

Although the government's top housing official, Albert Cole, stressed that the report "does not represent the Administration's housing program" Washington observers have taken the committee's public housing recommendations as an indication of things to come. They believe public housing will be looked on more favorably by the new Congress.

The Committee recommended that interest rates on VA and FHA mortgages be allowed to rise above their present limits. The President already has the authority to increase the current 4½% FHA interest rate to 5%; and the VA maximum is now 4½%. A committee of government and finance officials would set this mortgage rate at not higher than 2½% more than current average yields on outstanding government bonds of 15 years or more maturity. Since the current yield on government bonds is about 3%, officials say the new rule could mean FHA and VA interest rates on mortgages could be upped to about 5½%.

The group also recommended a rather liberal housing plan for low income families, which would operate experimentally for two years. It would insure 100% of the loan on a 40-year basis on homes in the range of \$7,600 to \$8,600. A minimum downpayment of \$200 would be required.

They also suggest a plan for families who can't afford to buy a low-cost house immediately. The family would pay rent, and when its income was sufficient it could buy the home.

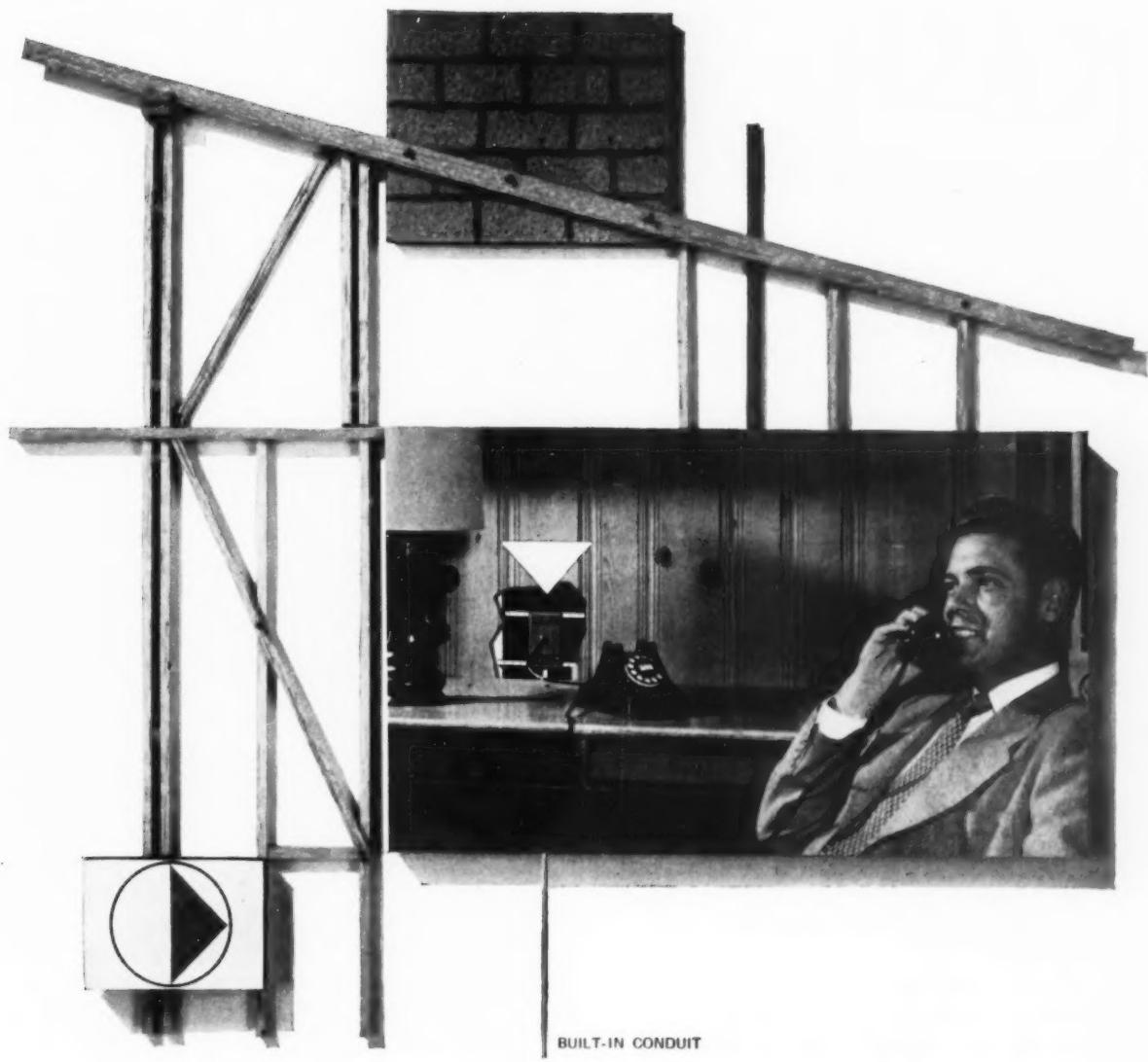
#### What do Industry Leaders Think?

NAHB President Manny Spiegel says, "This is a housing program which can put a new face on America. It is bold, progressive, visionary, practical. It should have high priority on the legislative calendar in Congress. This program will find favor with the American people."

"However, the degree of success or failure of such a broad housing program will depend entirely on the availability of mortgage money to finance the construction and sale or rental of the housing in question."

"President Eisenhower can be assured that the home building industry will support the aims of the proposed program," Spiegel says, "should he recommend it to the Congress for enactment."

Although Albert Cole refused to go into detail on



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the committee's proposals, he said, "I heartily endorse most of the proposals in the report, but I must say I don't agree with some of them."

### Millionth Dwelling Started in November

Non-farm housing starts declined less than seasonally in 1953 to 80,000, according to preliminary estimates of the U. S. Bureau of Labor Statistics. The November decline was in privately owned housing, and reflected some decrease in activity in all sections except the Pacific States, where volume held the same as in October. Included in the November total were 1,600 new public starts.

Although starts of privately owned housing were down by almost 11% last month, the decline was less than usual for November; in each of the three previous years (1950-52) the October-November drop amounted to around 18%. On a seasonally adjusted basis, private starts since November were at an annual rate of 1,069,000 — the highest rate since April.

The million mark for new dwelling starts in 1953 was reached in November, with 1,031,300 new non-farm dwelling units begun during the first 11 months, compared with 1,055,500 for the same months in 1952, and 1,030,500 for the 1951 period. The downward drift in private housing starts which began last May has been gradual, so that the total thus far in 1953 (997,100 units) was almost equal to private volume for the same period of 1952 — the second best housing record. Publicly owned housing, totaling 34,200 units was down to more than  $\frac{1}{3}$  from the January, November 1952 figure.

### NAHB Convention to Stress Merchandising

Naming the 1954 NAHB convention as the biggest and best yet, NAHB officials say the program will cover every phase of home building — from initial planning, designing, financing and construction through final sale and post-sale activities. All these will be covered in clinics, discussion groups, round tables, shop talks, demonstrations, meetings and general sessions.

More than 60 events are scheduled, featuring over 200 program participants. There will be two big "how to do it" shows of construction methods and a knock-out session on "How to Sell a House." Six different stages will be used for one of the "How To Do It" shows with demonstrations taking place at the same time. Leading sales promotion and merchandising methods will be stressed.

### ABOUT THE AUTHORS

Robert Whitmer is a native midwesterner. He spent most of his "growing up" days in Wichita, Kansas. After leaving school, he was with TransWorld Airlines for 20 years gaining sales and advertising experience on a nation-wide basis. Bob pioneered and administered TWA's Coast-to-coast air freight sales program and watched it grow into a tremendous business. In 1949, to assure a permanent residence in the mid-west, he joined the J. C. Nichols organization. Bob was first assistant sales manager, then sales manager, and now heads the newly created department of public relations-advertising. He has two youngsters — Jimmy, a sophomore in high school, and Sharon, age 11. His main hobbies are golf, music and amateur radio. He operates his own station under the call letters WONCK and says he would be most pleased to talk to other real estate people who are active radio amateurs.





## See the newest kitchen in the world with 17½ built-in house selling features!

Ideas that sell homes faster—that make women prospects "stop—look and buy!" See the American Kitchens Exhibit at the National Association of Home Builders' Show! Booth 2—Conrad Hilton Hotel, Chicago. See for yourself the really new ideas for kitchen convenience with house-selling appeal. See the newest kitchen in the world—and find out at the same time how it can cut your material and labor costs. Find out how only 2 men can install 5 American Kitchens a day. See for yourself how they fit any shape or size room—install easier and quicker!

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E. C. Hougen has been in the real estate business since 1924. Since 1944 he has operated his own real estate office in La Crosse, Wisconsin, and now employs seven people. His company specializes in residential homes, subdivision promotion and appraisals. He is a past president of the La Crosse Board of Realtors, a member of the National Association of Real Estate Boards, and is on the Board of Directors of the Wisconsin Association of Real Estate Boards.

**"Sponsoring PERFECT HOME is a privilege,"**  
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**W**E HAVE NOW BEGUN our fifth year with **PERFECT HOME** Magazine, and we are proud that our firm was selected as the local sponsor," says Realtor E. C. Hougen of La Crosse, Wisconsin.

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**PERFECT HOME** Magazine is edited for such blue ribbon real estate, home building, or home financing organizations as the E. C. Hougen Company the nation over. Sponsors recognize the value of building goodwill and confidence among leading citizens in their communities. In a subtle, dignified way **PERFECT HOME** connotes quality, fair dealing, high ethics, and it sells the "home idea" to these key people whose community influence far outweighs their numbers. Each issue is prepared by an expert staff of artists and editors who comb the nation for ideas in home decorating, furnishing and design.

National in scope, **PERFECT HOME** Magazine is local in application, becoming the sponsor's personal ambassador of goodwill. Editorial, art, and other preparation costs are spread among its users throughout America. Local reproduction and mailing costs are in turn shared among the selected reliable building factors who participate. A limited number of exclusive, annual, renewable franchises are available to organizations of unimpeachable reputation. If you are interested, address your inquiry to

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Learn about the P&H Pioneer Home and the Builder Profit Plan at the NAHB Show, January 17-21, Space 13, Hilton Hotel, Chicago



# Product Progress

## Protective Paints

**1-1** Delrac Corporation of Watertown, New York announces "Delrac Coating," a new transparent liquid to be used as both primer and finish coat for sealing and waterproofing concrete, mortar, brick, steel or wood. The manufacturer says it prevents powdering, dusting and florescence on concrete, moisture penetration and fungus on wood, and rust on steel or iron. Delrac Coating can be sprayed, brushed, or dipped.

**1-2** Designed for use on concrete floors, Pierce Rubberized Floor Enamel has been developed by the F. O. Pierce Company of Long Island City, New York. This new paint is said to be resistant to alkali and moisture in concrete, thereby preventing peeling, flaking and dusting. The manufacturer stresses its hard finish which resists marring and claims it dries for normal use 24 hours after application.

## Wandering Washer

**1-3** A new mobile automatic electric dishwasher designed for apartments and rental homes is announced by the Hotpoint Company of Chicago, Illinois. The new model (40MCP22) has removable casters, drain and water supply hoses. It can be rolled

up to the sink for operation and moved to any spot in the kitchen afterwards. The washer requires no special plumbing installation or wiring.

## Plan-orama

**1-4** American Standard Corporation of Pittsburgh, Pennsylvania, is offering a new home planning booklet featuring bathroom, kitchen and heating products. The new booklet, "Plus Value For Your Home," suggests color and decorating schemes as well as showing products. It is 40 pages long and is divided into three sections which can be individually lifted out of the booklet.

## Panty-waste

**1-5** A new light-weight (30 pounds) food waste disposer is announced by the Westinghouse Electric Appliance Division of Mansfield, Ohio. The unit fits drain outlets  $7\frac{1}{8}$  inches below the sink. Model A-1B can be installed in sink openings of  $3\frac{1}{2}$  to 4 inches, but adapters are available for larger openings. It is powered by a  $\frac{1}{3}$  horsepower motor on 60 cycles, 115 volts and at 1750 rpm. Both the motor housing and the shredding compartment are made of aluminum alloy casting and are finished in aluminum lacquer.

## Inside Out

**1-6** "Uniwall," a new load-bearing facing tile recently developed by the Natco Corporation of Pittsburgh, Pennsylvania, provides single-unit wall construction with finished facing inside and out. Interior ceramic glazed facing units are two inch and 4 inch thicknesses with 4 inch x 12 inch face dimensions. Shapes are available to meet normal building requirements. The tile is of vertical cell construction and is of hard-burned deaired fire clay.

## Panel Parade

**1-7** Marlite Planks and blocks, a new prefinished wall paneling is announced by Marsh Wall Products Inc. of Dover, Ohio. The planks are 16 inches wide and 8 feet long. Blocks are 16 inches square and both are  $\frac{3}{16}$  inch thick. They feature a tongue and groove joint. Ten new "companion colors" are available. The manufacturer stresses ease of installation, economy, and permanence.

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See a Complete "CADET" at Home Builders Show  
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Visit Our Display... Spaces 114-115... Conrad Hilton



# The Weakest Link.....



A REALTOR-BUILDER friend of ours was deplored the ethics of another builder. He had proof that this builder had made up a fraudulent contract of sale for a buyer. "I should report him, but I don't think I will," said our friend magnanimously. "People would just say it was sour grapes."

Another friend of ours was seeking a house. He was besieged by several salesmen. Finally, Salesman A, a nice fellow who was conscientiously trying to do a good job, showed our friend through an attractive, reasonably-priced house. Our friend liked it. He was ready to make an offer. Then Salesman B got wind of it and phoned him. "You don't want that house. I'll have one listed Saturday that is exactly what you've been looking for and it's priced at less. I can't tell you anything more about it, but believe me, don't do anything until Saturday."

You know the rest. Our home-seeking friend held off. By Saturday, the first house, which was an excellent buy, had been sold. And, of course, there was no such listing as Salesman B had described. It was merely a trick. So our friend was left high and dry.

A broker in a Midwestern city has been taking advance monthly listing fees on taverns. He gets \$10 per tavern per month and he has about 12 such listings. Once or twice a month he takes a dummy buyer around just to keep the hopeful sellers happy. And those listings continue month after month, providing a steady income for the broker.

These are isolated examples of cases we've discovered in the past few months. They don't represent the rank-and-file real estate transaction. Most of the people in the real estate and building industry are conscientious: they deal fairly; they realize that today's action determines tomorrow's success. But let's face up to the fact that some people in our industry, though they may be few, are giving us all a black eye with their questionable tactics and illegal shenanigans. And that's the reason the real estate industry always seems to be punching its way out of a corner, fighting for respect and confidence.

We've come a long way since the horse-trader, buyer-beware days of real estate. But we need to go further before we can come of age. We need to put more teeth in our license laws and association codes, relentlessly kicking out those among us who can't deal on a fair and square basis. And not all the rules are found in the book. Some of them are unwritten laws of conduct. When we discover examples of misconduct, we should have courage enough to report them, sour grapes or not.

This isn't idealism. It's pure, unadulterated selfishness. Without high standards . . . without this kind of policing of our industry . . . we'll all suffer. One bad apple tends to spoil the whole barrel. One questionable transaction, regardless of whether it's legal or illegal, tends to destroy the confidence that takes so long to build.

The real estate and building industry cannot become a profession until all the people in it operate on professional standards . . . until it takes even the most isolated cases of misconduct and makes them extinct. Remember the old saying that a chain is only as strong as its weakest link? Let's be more courageous and vigilant in getting rid of those weak links in our industry!

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"Normal market would be 750,000 to 800,000 units, based on reasonable demand by responsible buyers . . ." — George Warnecke, New York City.



"Sales and home building should continue at a reasonably comfortable rate . . ." — Howard Ludington, Detroit.



### • In Real Estate Sales?

### • In Home Building Volume?

### • In Mortgage Financing?

# What's In Store for '54?

"1954 can be very healthy if we build 700,000 to 800,000 new units and recover 150,000 to 200,000 others . . ." — C. Armel Nutter, Camden.



By ROGER C. LAKEY, *Managing Editor*

"We need a million new homes yearly, and here's why . . ." — John M. Dickerman, NAHB.



"Price drops in cattle and crops will affect the Colorado real estate market noticeably . . ." — E. Sanford Gregory, Denver.



"Home building and real estate market activity should not decline over 10% . . ." — Arthur M. Weimer, Indiana University.



What does 1954 hold for your real estate and home building business? Can you maintain last year's sales volume? Will financing ease up? Will you build as many homes as in '53? What will be your toughest problem? To find the answers JOURNAL editors interviewed leading realtors, builders, and mortgage bankers from coast to coast. Three things show up in their interviews: 1) Financing will be easier. 2) The industry should build something less than a million homes. 3) Merchandising will be your biggest problem. These experienced opinions can help guide your decisions for the coming year.

## ... a National Outlook

**I**N the past few months, there has been much talk about an "economic readjustment period." Journal editors asked industry leaders from coast to coast how serious they believe this decline (if any) will be and how it will affect the real estate market and the volume of home building.

### How Many Homes in '54?

Howard Ludington, mortgage banker of Rochester, New York, expects some decline in home building and real estate sales, but he says it will be from such a high level that both should continue at a "reasonably comfortable rate." He says the optimum annual level of home starts should be between 800,000 to a million. "The industry can maintain this level with a minimum of government assistance."

Arthur M. Weimer, Dean of the School of Business, Indiana University, is fairly optimistic. He does not believe there will be a decline of over 10% in the volume of home building or in the volume of activity in the real estate market in the near future.

"In my opinion," Weimer says, "the optimum level of home building is that determined by market conditions. It is somewhat unfortunate that these levels are usually thought of in terms of number of units involved. Dollar values are important as are types of construction, size of homes and the like. Adjustments to basic market conditions become difficult after the industry has been geared to various types of government support for a number of years. Determining what is a *healthy* volume of home building or optimum volume on some other basis than determined by the market poses some very difficult problems of definition of standards."

E. Sanford Gregory, Denver realtor, anticipates such an economic readjustment in Colorado. "As a livestock and agricultural state, the prices of cattle and crops being below prior years will affect the real estate market noticeably. But the impact will be offset in a measure by the activity in petroleum exploration and the large backlog of heavy construction." He believes '54 can produce as many new homes as 1953 without additional government props.

John M. Dickerman, executive director of NAHB, says we *need* a million new homes yearly. His reasons: "Family formations until

1960 are expected to remain at a minimum of 500,000 a year. In 1950 the census showed that nearly two million married couples were doubling up with relatives or friends . . . Another customer crop is made up of single individuals or unrelated persons who want to establish separate households . . . By 1960 the total population may well rise by 30 million over 1950 . . . Sixty thousand dwelling units are destroyed or demolished each year . . . Long range population shifts would create an additional need of about 100,000 new dwelling units," Dickerman concludes.

C. Armel Nutter, Camden, New Jersey, realtor and mortgage banker, says the coming year can be a very healthy one if we build 700,000 or 800,000 new units, and if we renovate and recover 150,000 or 200,000 other units. "We can develop a much better economy, a stronger home ownership picture, and a healthier real estate program throughout the entire country."

Some basic observations are made by George Warnecke, New York City mortgage banker. He believes there will be a substantial decline in home building. He says, "A normal market would be 750,000 to 850,000 units. This is based on reasonable demand by responsible buyers with sufficient downpayments to evidence a real equity."

In investment type properties he does not foresee any decline or, at worst, only a very minor one. "This may not hold true for office buildings of vintage in New York," he says.

Getting at the roots of the problem, Warnecke says most present indications point to a decline softer than all but one in our generation. He cautions that an analysis of housing trends is only a means to an end, and that it should enable us to prepare ourselves, to plan and act according to the analyst's conclusions.

"A study of the 'casualties' of past declines shows that most of them tried to swim against the tide — they over-estimated themselves financially and were crushed in the regressive trend of the market," Warnecke says. "They failed to recognize the simple facts of a decline — less houses are built, less materials used, less labor employed, and houses become as difficult to sell as space to rent. The most common illustration is

the headlong purchase of large unimproved tracts of land and the completion of large quantities of houses against no specific demand.

"The next most frequent mistake is poor timing. Bringing one's business out of a decline intact is primarily a matter of timing. Everyone must localize the problem of whether a decline has set in and see what points the trend has reached in his particular area. Builders often create an artificial market by selling houses on lower or no downpayment. Such a market does not indicate a continuation of the boom but represents only made work to benefit the builder if he can get out at a profit.

"In my opinion," Warnecke says, "here is a more reliable test: 1) is there a *premium demand* for houses? Where the premium demand has been satisfied, most home sales are made to persons moving from old to new, or smaller to larger houses. 2) Do houses sell on substantial (20 to 30%) downpayments?

"If these questions can honestly be answered yes," Warnecke says, "no immediate adjustments are necessary."

Weimer disagrees with Warnecke's concept of an artificial or "false" market. He says, "The terms and availability of financing are of primary importance in determining the intensity of housing demand. Hence, these are essential factors in the market. There is no such thing as a false market. Either the market is there or it isn't."

Ludington partially agrees with Warnecke: "There is no doubt that small downpayments increase the demand for houses in certain overbuilt areas. However, it is felt that if the buyer has a very favorable credit condition and an excellent employment record, this should not influence the market to any great extent."

### What Effect on Your Business?

In the face of this readjustment period, how can you size up your own local market situation and tailor your building, selling and rental operations to it? E. S. Gregory says you must measure the supply against the estimated demand for the next 12 months.

Being more specific, Weimer says the main things for realtors to look for to determine the trend of local markets and in tailoring their operations to potential changes are: 1) employment and income

trends and, 2) terms and availability of financing. "Special attention," he says, "should be given to the prospect for local business changes as well as national trends and the potential impact of national trends on local markets."

#### Meeting the Pessimists' Objections

How can you overcome objections from potential buyers who "would rather wait till prices come down" or fear "mortgages may be hard to pay off when cash money becomes scarce?"

Warnecke points out that behind these objections is some sound reasoning. Home prices usually soften during a decline. Buyers may get a better break in one or two years when prices reach a low. As to the home buyer's future ability to pay off his mortgage, it is well known that housing declines often go hand-in-hand with general recessive trends including an increase in the value of ready cash and lower incomes. Under such circumstances, Warnecke says, persons who now buy homes with mortgages based on current inflated assessments may, indeed, be finding it harder and harder to pay them off.

But Warnecke offers a solution. "The best safeguard against such psychological points of resistance is repeated small-volume building

on a short-term basis as opposed to long-range commitments and large-volume construction. In the past few years, many builders have become used to building 1,000 and more houses at a time without having any specific sales prospects. To be safe now, it may be best to build, under the same conditions, only 100 homes at a time and in an area where sales prospects are fairly tangible."

Ludington's answer to these objections: "Because the inflationary cycle once begun cannot be stopped without larger readjustments — which are not foreseeable in the near future, and because labor costs will not drop appreciably, prices on new construction cannot decline much in the near future." As to paying off mortgages, Ludington says any mortgage which is carried by an individual who has good employment and where there is good relationship between the monthly payment and salary should not be burdensome even under trying circumstances.

Weimer: "No one has any assurance in regard to future price changes. Our past history suggests that real estate prices usually advance to higher levels than in preceding periods even though there may be periods of substantial declines between the peaks. One might observe that it is as risky to

gamble with money as with property."

E. S. Gregory: "Prices of existing homes already are down 15 to 20%, and undoubtedly will level off on that basis. If the readjustment period is to be of short duration and employment remains at a high level, there should be no concern about cash money becoming scarce. Savings accounts are up over a year ago and buyers are becoming more selective."

Summing up our national market picture, Warnecke says, "Internally our national economy is stronger than ever before, production is rising, incomes are high. In addition, we have a consistent government policy of credit limitations and hard money which was also absent from other pre-decline periods. The most encouraging sign for the future of the real estate market is a continuation of full employment absent from previous pre-decline situations. Full employment helps sustain the otherwise so appalling huge mortgage debt carried by individual real estate owners. The main reason of any decline, present or impending, seems to lie in a saturation of the real estate market. Saturation usually brings adjustment to smaller volume, but unless its implications are long ignored, never a real crash."

## A 23-City Market Check

What's the outlook in your own area? JOURNAL editors took a spot check of 23 cities to feel the local pulse of real estate sales, home building, and financing. Although market and financing conditions have markedly improved in the past few days, this survey shows the pattern of the most severe "squeeze" the industry has felt in years.

#### What Realtors and Builders Say

✓ GLENDALE, CALIFORNIA — Paul Burkhard: "Conventional loans available 65% to 70%, 5½% to 6% interest with 15 to 17 year terms and a 2% fee. FHA individual loans find takers — conditionals on limited number

(10 to 20 only) — 80% loans, 25 year maximum, 2½% fee. VA loans possible for individual customers, but a tract builder can get no commitment without a take-out."

Burkhard's building operations have been hampered by financing — "I am ready to start 48 houses on newly improved lots, part of an existing tract, and so far have been able to get assurance of financing on only ten at a time. This does not permit an economical operation. I do not see any change in the local financing situation in '54."

Burkhard started 115 houses in 1953 and hopes to start the 48 before March 1st. He has 32½ acres adjacent to a present development that can be started if financing is available.

✓ ENGLEWOOD, COLORADO — J. J. Carey: "Conventional, fair to

poor. FHA-VA, poor to very bad — discounts range from 3½ to 7 points."

Carey has had to cut building operations by 50% because of the mortgage money shortage, and he believes the financing situation in '54 will be "some better than in '53 but not too much." He started 150 homes in '53 and hopes to build 250 this year.

✓ SEATTLE — Albert LaPierre: "Financing very tight — but not at drastic discounts except on distress or junk merchandise." He also has had to cut building volume by 50% and expects the financing situation to improve in the second half of '54. He started 104 homes in '53 and will build 50 more than that in '54 "if the market changes."

✓ DALLAS — Bruce Alger: "Both conventional and FHA-VA now available." Alger, who built six homes in '53 and expects to build 12 to 24 in '54, has not had to cut building volume because of financing. Locally, he believes the

financing situation will be "alright" this year.

✓ **TULSA** — Burl Johnson: "Conventional reasonably good at 5% to 6%. FHA and VA very tight — discounts range from 3 to 7 points. Some VA in small quantities being taken by savings and loans."

Johnson's company, which in '53 built 42 FHA homes and 267 for oil and gas companies on contract, had to cut building operations to about 50% of normal because of the mortgage money shortage. Locally, he says the financing situation in '54 "might ease up on low cost housing by May or June."

✓ **DAYTON** — Joe Haverstick: "Local building and loans are taking a substantial number of loans of all types. VA's are requiring 15% down."

Haverstick has had to cut building operations by about 20%. He believes the local situation this year will be "about the same as now, but could be better from the standpoint of downpayment and term of loan." He built 70 homes in '53 and plans to build the same number of conventionals this year plus 250 small prefabricated homes if land can be developed at low enough cost.

✓ **NEW ORLEANS** — H. T. Prosser: "FHA 4½% loans made with a 5% discount in a very limited number. Conventional loans are made on a basis of 50 to 70% of appraised value which is substantially lower than the selling price of property. Rate is from 5 to 6%. Thirty-one homestead and savings associations make most of these loans."

"We have cut down on building operations 60%. Many of the contractors have folded up. Many others are stopping when present jobs are completed. There is a rather serious setback in the building industry throughout this region." Prosser does not venture a guess as to the local financing situation in '54 but hopes that the heavy discount will ease up. He plans to build some 60 homes where they are wanted and needed if money loosens up.

✓ **CLEVELAND** — Marvin Helf: "Both conventional and FHA-VA very tight." Helf says he had to cut building operations by 50% due to the mortgage money shortage. He built 100 homes last year

and does not yet know how many he will start this year.

✓ **LA GRANGE, ILLINOIS** — Charles Joern: "Conventional having reasonable percentages to sales price are available at higher interest and commission rates. VA money is hard to find, FHA money is available." Joern believes that ample mortgage funds will be available in '54, but at slightly increased interest rates.

✓ **ROCHESTER, NEW YORK** — H. T. Perkins: "Very little FHA or VA money on any age property, practically none on conventional homes more than 15 years old. On new homes with 55 to 60% conventional loans, the supply is ample." Perkins built no homes last year but expects to build at least 60 better-class homes if financing can be obtained.

✓ **BIRMINGHAM, ALABAMA** — Robert Jemison, Jr.: "Supply is tight for all types." Jemison had to cut his building operations because of the financing situation, and he expects it to ease up slightly in '54.

✓ **CHARLOTTE, NORTH CAROLINA** — George Goodyear: "Conventional plentiful at 5%. FHA at 97 and 98. VA at 95 but tight. Ordinarily we would have 50 houses under construction at this time of year. We have about 15 now." He expects local financing to be "very much easier" in '54. He expects to start at least 20 homes in '54, or, depending on supply of mortgage money, anywhere from 25 to 150.

✓ **LITTLE ROCK** — C. V. Barnes: "4½% VA and FHA at 92½ to 97. Plenty of conventional money at par, 30 to 40% down, 5½ to 6% interest." Barnes had to cut his building operation from a normal 200 to 10 units last year. His volume in '54 depends on availability of mortgage funds. He says local financing will be "some improved but not what we would like for low cost housing or for 213-207 financing or for minority groups."

✓ **EL PASO, TEXAS** — William J. Elliott: "Plenty of conventional money available, 60 to 65% of sales price. FHA and VA money available at discounts of from 6 to 8%. Demand for homes is good. Little or no VA building from now on as certificates of reasonable

(Continued on next page)

## Your Toughest Problem in '54

**B**ETTER merchandising! Builders must improve their product and increase construction speed, a field in which there is much room for improvement. Mortgage lenders must find new sources of funds, establishing better merchandising of loans to prove their attractiveness to investors who should be buying long term mortgages." — WALTER C. NELSON, Minneapolis.

"A shortage of buyers for homes." — W. E. JOHNSTON, Houston.

"Finding purchasers with the necessary downpayment. . . . We have a good demand for homes but most purchasers have a shortage of cash." — E. R. RICHMOND, Memphis.

"The interest rate structure and term of the loan. We'll also be faced with the credit stability of the borrowers, and most likely will see a tightening of credit requirements by all lenders." — FRED J. FREINER, St. Louis.

"Competition. Residential sales in any normal period are to a great extent merely competing for the consumer's dollar. Whether it goes into appliances, automobiles, pleasure or a myriad of other channels, largely depends on the effective sales effort of the builder. This has long been recognized in other fields. After all, a new home is not a necessity if the consumer already has a home. Existing home sales are in much the same position. How long has it been since you have seen an existing home properly modernized before being put on the sales market? Let us all recognize that competition is back." — JOHN F. AUSTIN, Houston.

"Better design . . . closer supervision of costs and quality . . . better merchandising . . . salesmen who will work!" — BURL JOHNSON, Tulsa.

"Downpayments . . . term of loan . . . land development costs." — JOE HAVERSTICK, Dayton.

"Financing. . . . Maybe it will ease with perhaps a 2% discount, which could be absorbed in a limited way, but not in volume. No need of trying to do business if the incentive is absent — which is spelled p-r-o-f-i-t." H. T. PROSSER, New Orleans.

"Acquisition of desirable building sites . . . in areas where values are established and where conventional loans could be made." — CHARLES JOERN, La Grange, Illinois.

"Get buyers to realize that the anticipated worse just isn't going to happen." — ROBERT JEMISON, Jr., Birmingham, Alabama.

(In checks with many other realtors, builders, and mortgage bankers, the predominant problems cited were merchandising and financing.)

value are unrealistic."

Elliott says building operations in the entire area are off 60% because of financing, but he expects a good building year in '54. "Our organization built 25 houses in '53. In subdivisions which I control, however, I expect builders to erect 300 houses in 1954."

✓ **ARLINGTON, VIRGINIA** — Luria Brothers: "Mortgage money still very tight. High discounts on VA of approximately 5 points." The company has had to cut building operations because of financing but Luria believes the local situation will improve some in '54.

✓ **YORK, PENNSYLVANIA** — John D. Graves: "Mortgage money very tight. Banks only loan to customers and then on an ultra-conservative basis." Graves expects financing relief in the Spring, and plans to build 10 to 12 homes this year if money is available.

#### What Mortgage Bankers Say

✓ **MINNEAPOLIS** — Walter C. Nelson: "There's a large amount of local funds available. Large advance VA commitments on a 5% down, 25 year term mortgage are being made to borrowers by insurance companies and local investors at four to five points discounts.

Nelson believes that the mortgage financing picture during '54 will ease up over '53. He says there will be more funds available and a decrease in requested discounts. "Local lending institutions, savings and loan associations, mu-

tual and commercial banks have deposits increasing at a rate which makes it essential that they actively seek all types of loans. They are definitely seeking a higher interest rate, with 5% the minimum and 5½% becoming quite common. Indications presently show that companies which have been on a restricted basis in purchasing FHA and VA loans intend to liberalize during the next 12 months."

✓ **MEMPHIS** — E. R. Richmond: "There is no crisis but the situation is tight." He says both the local and national financing picture should improve — the bond market is firming up and should make more money available for real estate loans.

✓ **OKLAHOMA CITY** — W. E. Johnston: "There is a crisis in the small and low cost housing field in Oklahoma, especially in the smaller communities. The mortgage financing picture will strengthen — locally and nationally. Desirable larger properties in metropolitan areas will sell close to par. The low cost small house, here and in small communities, will remain on a discount basis, but not as large — the great overhang of mortgages is pretty well absorbed and the law of supply and demand will prevail."

✓ **ST. LOUIS** — Fred J. Freiner: "St. Louis builders believe a crisis does exist in mortgage financing. There has been a material change in the mortgage picture during the Fall months indicating that lenders are receptive to a cer-

tain amount of insured loans, with a larger builder having less difficulty in placing his loans.

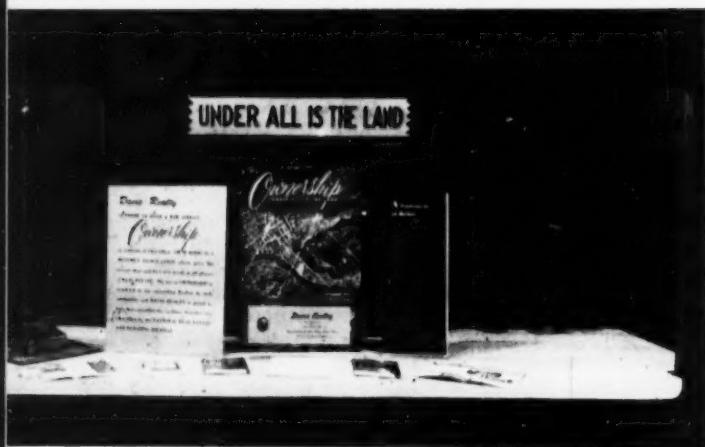
"The '54 mortgage picture will possibly be slow for the first quarter but will gain momentum thereafter, and may return to normal by mid 1954. This is based on the national and international picture staying more or less static."

✓ **DETROIT** — Edward F. Lamrecht: "No crisis exists — plenty of money for conventional mortgages at 5%. Insured mortgages at a discount are getting better. The picture for '54 will improve."

✓ **PORTLAND, OREGON** — Franklin W. White: "Larger builders, for the most part, are not too worried. The smaller builders are really 'feeling the squeeze.' There will be some *small* improvement in the picture for '54."

✓ **ATLANTA** — D. L. Stoakes: "Builders in this area do not feel a crisis exists, although it is true that some have had to curtail their building program due to a shorter supply of mortgage money. I am optimistic about 1954. Adequate funds for sound investments should be increasingly available. I don't foresee any downward trend in the over-all mortgage rate, at least for the early months of 1954. We will probably continue to see regional variations in interest rates and yields on investments, with the rate graduating upward as the distance from financial centers increases."

## imagination makes your window display



WHAT makes a good window display? It takes imagination and progressive thinking. Here's an example in the office of Realtor William E. Davis, Glen Ellyn, Illinois.

Proud to be awarded the exclusive franchise for the Ownership public relations program by the JOURNAL, he designed this display around the Ownership program. It is the first of 12 different arrangements in which he plans to use this theme. The cover of the November issue of Ownership is enlarged to approximately 30 inches in height to form the central theme. On the right is an enlargement of one of the articles, "A Statement of Belief." A poster on the left tells about his company's receiving the award and describes the purposes of the program. In front lie several copies of recent issues, showing the covers and inside pages. A scale model of a house at the left and potted plants in the rear lend interest and dignity.



Radiant heat emitted straight out through the panel enclosure of the baseboard at ankle height keeps floors warm. Note thermostatic control for the apartment heating system on wall at left.

This bathroom is supplied with heat from two sources — the radiant baseboard and a bathtub-turned radiator. Pipes run under the tub.

## Watch Your Apartment BTUs!

Your tenants object to cold bath tubs? In Homewood, Illinois, a new

12-unit apartment building has a system that not only keeps  
tubs warm, but cuts apartment heating costs, gives  
personalized control in each unit.

By C. F. CRAIGIE, Jr.

Plumbing and Heating Industries Bureau

**I**N HOMWOOD, ILLINOIS, Manager J. B. Silberman is keeping tenants happy with a personalized radiant heating system. Each of the 12 apartments in the new building has an individual heating control, dampers on the baseboard units in bedrooms, and a bathtub heated by radiant coils.

In addition to its tenant appeal, the system was chosen for low installation and operating costs. Pipe was saved by extending single sets of risers from the basement to supply each of the 12 separate two-pipe baseboard heating circuits.

Built by Nelson Brothers, contractors, the structure was completed for occupancy in January, but the heating system had been operating since November as a test and to keep workmen warm. Estimates of 5,000 gallons of oil required to operate the system during a normal season have since proved to be high. Including the two months from November to January, the system required 3,800 gallons for the season.

Each of the 12 apartments is L-shaped. The long arm is formed by a kitchen-dinette, living room, and two bedrooms. A bathroom is in the short section.

All baseboard radiators for each apartment are fed from the kitchen-dinette and use two pipes. The upper tube acts as the supply main and the lower is the return main. The baseboard enclosures run from wall to wall in each room to give a continuous

line, but the heating elements themselves are concentrated under the windows. Since the units in each room are connected in series, temperatures in all baseboard radiators are equal, helping to assure balanced room temperatures.

Bathtubs are kept warm by the supply pipes which pass under the tub shell to the baseboard radiator beneath the window. This provides two radiant surfaces in the bathroom for the cost of one.

Heating tubes in the radiators are finned to increase the radiant surface. Heat emerges at ankle height from the enclosures to keep floors warm.

Bedroom baseboard enclosures have manually-operated dampers, which allow the tenant to cut the heat output at night by 50%.

The entire system is fed from a 432,000 btu boiler. Each apartment has an individual water circulation pump which is controlled by a thermostat located on the wall of the living room.

Tenants like the uniform warmth of the system. They like the baseboard units because they do not interfere with wall-to-wall carpeting, or furniture placement.

The owner likes it for its cleanliness and its ease of operation. "All the caretaker has to do is turn on the boiler at the beginning of the season," says Owner Julius Auerbach.

# More Livability at Less Cost

By M. HOVER CURTIS  
*Community Planner*  
 404 W. Vanderbilt  
 Oak Ridge, Tennessee

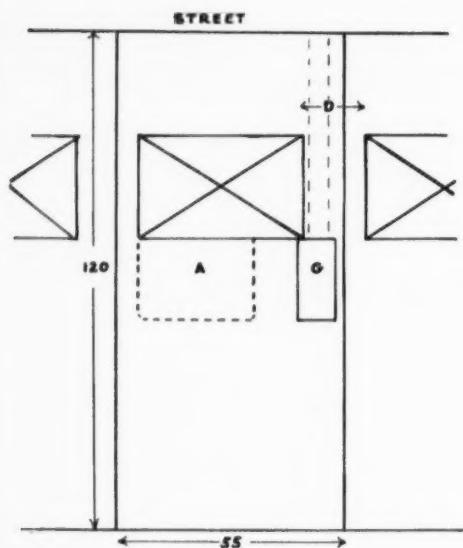


Figure 1. Conventional lot. A — outdoor living area; D — distance between houses, 12 to 20 feet; G — garage. Scale: one inch equals 40 feet.

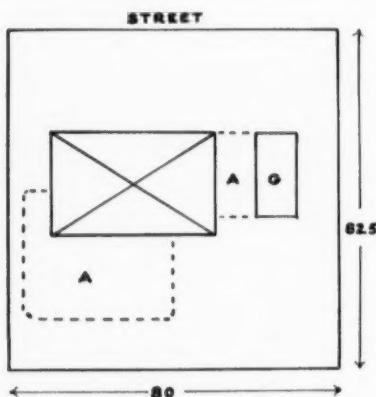


Figure 2. Ideal lot of equal area. Scale: one inch equals 40 feet.

A NEW concept of neighborhood planning was presented in the first article of this series, in which lots adjoin an interior park containing recreational facilities for all age groups, and where school, public buildings and shopping facilities are accessible without crossing streets. See the illustration in the December JOURNAL. The greater livability of such a neighborhood is self-evident, for it gives people all the advantages of country-estate living without sacrificing the conveniences of the city.

This article will prove that such a neighborhood is practicable — that it not only heightens sales appeal but is cheaper to build and brings greater financial returns to the developer.

Can we allow for parks and still get as many lots to sell? Can we space houses farther apart and still keep utility run-ins close together? Can we make lots wider without increasing taxes? Can we handle traffic more efficiently and still reduce streets? And can we do all this without so shocking a change as to endanger marketability? The answer is, "We can." To do it, we must utilize all that is best in our past experience and face the new difficulties with determined faith that there is a way to do anything that makes for better living for our people — that whatever is right is possible!

What are the facts in our past experience that will help us obtain parks at our garden gate?

1) People need spaciousness, now more than ever before because of the faster tempo of our living. They need safety from traffic, relaxation from today's tensions, recreation. All people need it, not just those who can afford country-estate living. But this fact makes it possible of attainment: the same spaciousness can serve all individuals. A tennis court or a swimming pool is intrinsically a community possession, just as a television set is a family possession, or a tooth-brush a personal possession. Just so, facilities for group recreation should be owned by the group using them. Therefore, if our spaciousness be well planned so as to serve all the people of the neighbor-

hood, it need not be extremely large.

2) We have less need for crowding today than ever before. Modern transportation has vastly increased the amount of land convenient to population centers. In past ages men were forced to crowd together for protection, within a city wall or near a castle or fort. Today, safety is increased by dispersion, even to decentralization of industry. In the coming atomic age, this will be even more true, for industry will be freed from having to locate near a source of steam or electric power. For the first time, the whole world is ours to live in!

3) Not only is land abundant, but raw land costs little compared to improved land. Streets and utilities make land costly. Land which has not been used for farming is cheaper still, and better for our purpose. Woodlands, ravines, hillsides, and rocky or rough land, nearly valueless for farming, make more attractive parks than cleared flat land.

4) Park and recreation areas do not need to be serviced by streets or utilities. In fact, since their primary purpose is to provide safety, quiet and relaxation, they accomplish this best when located away from streets.

Thus we see that the need for spaciousness can be met if we use the cheapest land for it, if we do not service it with streets or utilities, and if we use the same spaciousness for all. This points to an interior recreation area as was done at Radburn, New Jersey. Our problem now is to make this plan practicable — to use the lot area surrounding the park to maximum efficiency. We must obtain as many lots around the park as could be had without it. We shall obtain more!

Let us consider today's average lot — 50 to 60 feet wide and 100 to 130 feet deep, with area of 5,000 to 7,000 square feet. See Figure 1. It permits a dwelling of 30 to 45-foot width across front, and houses 12 to 20 feet apart. (D) Such a lot has almost no side yards for outdoor living. (A) Only the front half of the lot adds sunlight and spaciousness to the house.

# Cost . . .

The long backyard is often waste space.

How would an ideal lot differ from this? It should accommodate the wide house so popular today, and permit attractive car-storage near or adjoining the house. See Figure 2. To accomplish this, the lot must be 70 to 80 feet wide. However, for many people who cannot afford a gardener, the 6,000 to 7,000 square foot area is ample for comfortable maintenance. More area would spell unlivability for them. So our wider lot may be less deep. We may reduce lot depth to adequate front and rear yards plus house depth. We now have a lot shape conforming to house shape. In effect, we have placed the lot area around the house where it can be used for living. (A) We have provided for a wider house with more space between houses, without using more area for the lot. Planners have been recommending this shallower lot for many years. Heretofore, shallow lots have necessitated putting streets close together at great cost to the builder, so this better lot has not been used. We must make this better shape more profitable.

To do this we must get more of these lots around our park. If we could utilize both the streets and park as frontage, we would double our available frontage, and get four rows of houses instead of two, to every street. Let us find a way to accomplish this:

First, let us lay them out alternately, brick-fashion, separated

Figure 3. Double frontage street. Half the houses face the street; half face the park. Scale: one inch equals 80 feet.

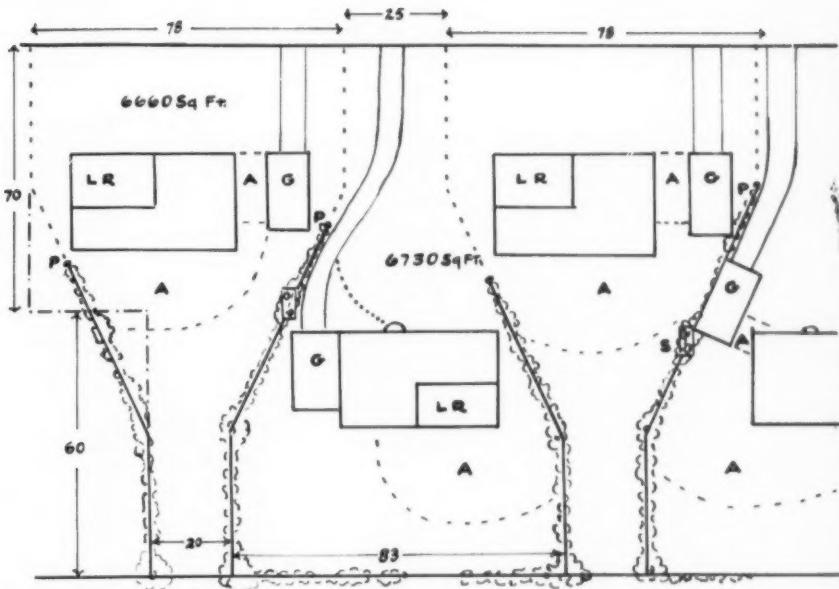
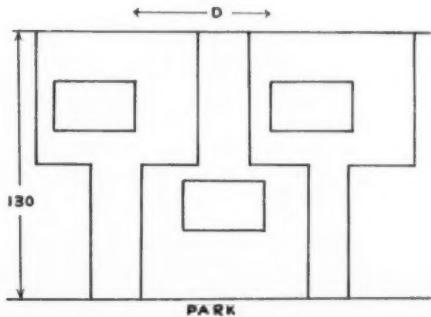


Figure 5. Detail of lots complete with planting and driveways shows gain in privacy by proper living room (LR) and garage (G) orientation. S is garbage can storage; A — most widely used outdoor area. Scale: one inch equals 40 feet.

from each other, so that the street-fronting lot has access to the park, and the park-fronting lot has access to the street. See Figure 3. By this arrangement we use frontage to the very maximum, getting as many lots along a street as can be done in wall-to-wall construction, yet getting 50 to 60 feet between houses. (D) The driveway access to the park-lot adds space to the street-houses on either side, and the park access of the street-lot does the same for the park-lots.

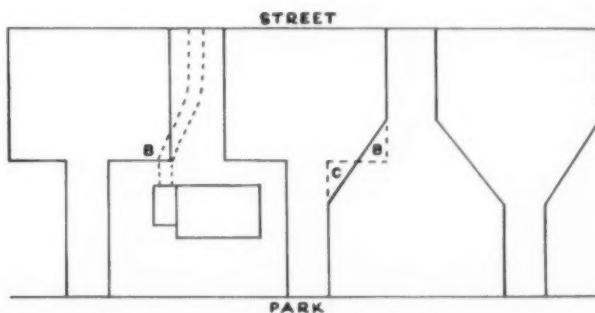
We must further improve our lot shape. The park-fronting home needs corner B to make its drive curve easily to an attached garage. See Figure 4. By making corner B equal to corner C, we have not changed the area of either lot. We have added land to both where they need it, and taken it off where it was not needed. We now have reversed spade-shaped lots, wide at the end where the house is, narrow at the other, with diagonal shoulders. Its area is computed as shaped in Figure 3, by two rectangles, the division at the mid-

point of the diagonal.

This lot shape and lot arrangement is the key to the efficiency of this system of planning. It is the one completely new feature. All the others have been proved worthy by years of experience, but never before fitted together to form a system. Yet this new feature is invisible in the finished development, showing only on the blueprints. In most cases the lot boundary will remain unmarked, showing wide lawns and low-planted drives. Screen or high planting is encouraged from point P (Figure 5) to the park, but from point D to the street only low planting is permitted, in order that the view of the street from the park-fronting house be unobstructed.

This lot facing the park becomes a view lot, and must have a park-fronting home, with living room facing the park — (Figure 6).

Figure 4. Reversed spade-shaped lots have same area, but more useful shape. Scale: one inch equals 80 feet.



Such garden homes have proved their livability. The garden cities, notably Radburn and the government-planned atomic cities, as Oak Ridge, have used them exclusively. They have been most popular in higher-priced homes and in beach property. We know garden homes will sell, but not to all people. By this arrangement of lots, we have street-fronting homes also, and so satisfy both preferences.

We also obviate the difficulty in alternate set-back schemes of the past which placed front door facing back door. (See Design of Residential Areas, Vol. VI, Harvard Planning Studies, by Thomas Adams, page 183, Figure 23, and page 207, Figure 39). Because of our park, the living rooms of our houses face in opposite directions. (Figure 5) so no one looks into the back yard of another. We have greatly increased the privacy of outdoor living for both houses over the conventional back yard. Compare A in Figures 1 and 5.

The park-fronting home must have a deep setback, usually 70 feet. We have found that increased set-back adds to the value of homes. Subdivisions of the finest homes have the deepest setback regulations. The curving landscaped drive has been the distinctive feature of country-estate living so desired by average-income people, and so impossible of attainment. Here we make that dream come true! The purchaser of the park-fronting home has all these advantages — a park at his garden gate beyond his picture window, a large secluded space for outdoor living, quiet and repose away from street noises. But, in addition, his street-fronting neighbors care for the spacious lawns beside his drive!

True, this reversed frontage will not appeal to all people. It will appeal mightily to garden and nature lovers, to families with small children, with invalids or elderly people, or where the husband is incapacitated for lawn care, or deceased. For the other type of person, who prefers to see the passers-by and have them enjoy his lawn and flowers, the street-fronting home of the Livability plan has far more than conventional planning can give him — a wider lot, room for additions to his house when he needs them without darkening existing rooms, far greater privacy from side neighbors both within and outside

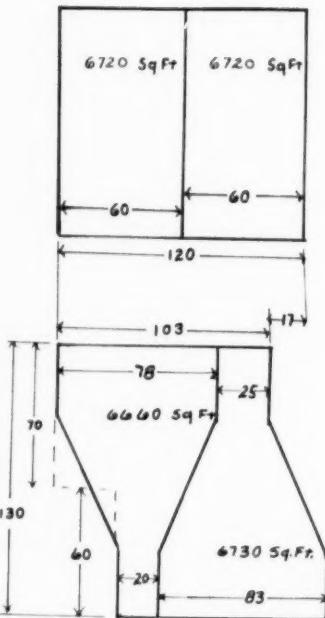


Figure 6. Upper diagram is convention lot plan having two lots for every 120 feet of frontage.

Lower diagram shows two Livability lots requiring only 103 feet of street frontage. Area of street fronting lot is 6,660 ( $78 \times 70 + 20 \times 60$ ). Park-fronting lot area: 6,730 ( $25 \times 70 + 83 \times 60$ ). Comparison: Saving of 17 feet every 120 feet equals  $17/120$  or 14.17% for same number of lots. Scale: one inch equals 80 feet.

the house, and no larger lot to pay for or to care for. Always in this system there are more street-fronting lots than park-fronting lots, which corresponds to the demand ratio today.

Here we meet the varying needs of varying families. We do not try to fit the mythical average, knowing that the average family never really exists. There are only families with special needs. Every developer knows that uniformity irks the modern taste. Any variation in setback, planting, house-facades, helps sales. In some sections, split-level homes on irregular land far outsell the flat-as-your-hand subdivision. This means that people welcome variety, that each wants to express his own individuality. Each wants a home to fit his own needs. We may put it this way: Sales appeal is best increased not by appealing mildly to a greater number of people, but by appealing more compellingly to some. (We need someone in the building industry to analyze these needs into categories and state how to meet them, but that is beyond the scope of this article.)

All needs can be filled by Livability planning. There are homes near playgrounds for families with small children. There are homes away from them for the elderly, those near game courts or swimming pool for older children and adults. Even those who want very large garden space can be satisfied, by larger private lots, or by renting a section of allotment gardens within the park. The appeal in each case will be to a smaller proportion of purchasers, but vastly more compelling to those. A discriminating salesman will make more sales with fewer showings, when the home precisely fits the purchaser's needs.

In planning by this system, garages should be on adjacent sides of the houses. See Figure 5. This leaves service areas near each kitchen and garage where garbage can storage can be provided for. (See S, Figure 6.) A depressed area surrounded by screen planting is preferable, on the boundary shoulder, used by both families.

Street and house orientation has ceased to be a problem. Since all houses have light and space on all four sides, streets may be located where least costly to build. Living rooms may be varied in orientation to meet varying preferences, even when similar plans are used.

You ask, "How can you get away from the added cost of the longer driveways and utility runs for the park-fronting lots?" Let us consider driveways first. If the conventional lot is less than 60 feet wide, the garage must be placed behind the house. In this case the driveway length is setback plus house depth, approximately 50 feet. If number of homes is represented by  $n$ , total drive length for all homes is  $50n$ .

In Livability planning, there are always more street homes than park homes, because of the corner lots, the usual proportion being 60% facing street and 40% facing park. Algebraically, it would be: street homes =  $.6n$ , and park homes =  $.4n$ . The park-fronting lots require drives of 70 feet for the setback plus the curve to garage, averaging 80 feet. For all park homes:  $.4n \times 80$ , or  $32n$ . The street lots are wide enough for attached garage, so drive is only setback length, 25 feet. For all street homes:  $.6n \times 25 = 15n$ . Total for all lots is  $32n + 15n = 47n$ , or even less total drive length than for the narrow conventional type lot (50n). Therefore, in making cost comparisons, we may disre-

gard driveway considerations since they are so nearly equal.

As to the lateral utilities, in rental projects the long run-ins can be escaped by locating utilities on an easement paralleling the street between the street homes and park homes. For individually-owned homes this is not satisfactory. In many instances it will be found much cheaper to run sewers along parks or through them, than along streets, but this would necessitate long laterals to the street homes. We must accept this added cost and save elsewhere. We will show that their cost is compensated for many times over.

In running utilities to the conventional house, the lines must go to the rear of house to serve kitchen and bath, average distance 50 feet. The total feet of utilities will be represented by  $50n$  (where  $n$  is number of lots). In Livability planning, .6 of the homes must be similarly serviced, expressed by  $.6n \times 50 = 30n$ . The other .4 of the homes, fronting park, have kitchens and bath to street, so run-ins go only setback distance plus connections, averaging 75 feet. Expressed algebraically:  $.4n \times 75 = 30n$ . Total homes:  $30n$  plus  $30n = 60n$ , an increase of 10n over the 50n needed by conventional planning. Thus, lateral utilities will cost  $10/50$  or 20% more by the Livability plan. Let us consider street savings.

Figure 6 shows conventional planning on one side of the street and Livability planning on the other. Lots are of almost equal area on both sides; conventional lots 60 feet wide, Livability lots 78 and 83 feet. Driveway width is 25 feet, park access 20 feet. Area of conventional lot is  $60 \times 112 = 6,720$  square feet. Area for Livability lot is computed in two rectangles (dotted lines):

Street-fronting lot:

$$78 \times 70 + 20 \times 60 = 5,460 + 1,200 = 6,660 \text{ square feet.}$$

Park-fronting lot:

$$25 \times 70 + 83 \times 60 = 1,750 + 4,980 = 6,730 \text{ square feet.}$$

In conventional planning, 120 feet of street front is required for two houses. In Livability planning only 103 feet of street front is required for two houses or a reduction of 17 feet in every 120 feet — or  $17/120$  — or a saving in streets of 14.16%.

If zoning regulations are such that driveway access can be made 20 feet instead of 25, street savings are 25 feet in every 120 feet or

over 20%. On some over-all layouts, streets have been reduced by 30%.

This street saving far outbalances the cost of the longer utility laterals. Street costs per lot for the over-all national average are eight times the cost of lateral utilities per lot. (See Urban Land Institute report for January 1948.) Though absolute figures vary with location and year, the ratio remains nearly the same. (This average given is \$30 per linear foot for street costs, and \$4 per linear foot for lateral utilities.)

The average lot of 55 feet requires for street:

$55 \times \$30 = \$1,650$ . (This, too, does not consider cost of street intersections which should be prorated for each lot).

Laterals required are:  $50 \times \$4.00 = \$200$  per lot. Thus streets (\$1,650) cost more than eight times the cost of laterals (\$200) per lot. On a 60 foot lot, streets cost nine times as much; on a 50 foot lot,  $7\frac{1}{2}$  times as much. Let us use eight as the average:

Computing algebraically: First, for the conventional lot:

Let  $u$  equal the cost of laterals per lot.

Then  $8u$  equals the cost of streets per lot.

And  $9u$  equals the cost of both per lot. (By conventional plan.) By the Livability plan streets are reduced over 14%. 14% of  $8u = 1.12u$ .  $8u - 1.12 = 6.88u$ , street cost per lot. (by Livability plan.) By the Livability plan lateral utility cost is increased 20%:

$u + .2u = 1.2u$ , lateral utility cost per lot. (by Livability plan) Total:  $6.88u + 1.2u = 8.08u$ , total costs per lot by Livability plan. Comparison: Conventional plan total costs:  $9u$  per lot.

Livability plan total costs:  $8.08u$  per lot.

Savings:  $.92u$  per lot on  $9u$ .

$.92u / 9u$  equals 10.22% saving on total costs by use of the Livability plan.

#### What Are Actual Costs?

Absolute costs might be more useful to some developers, in order to compare more readily with their own cost figures. The latest absolute costs available are for Eastview in Dayton, Ohio, W. A. Simms, developer, published in Home Builder's Manual for Land Development, 1953. All details are given (p. 54 & 55) for storm sewers, sanitary sewers, water mains, concrete work.

|   |              |
|---|--------------|
| Total improvement costs, without engineering costs, are .....   | \$156,101.35 |
| Total improvement costs per lot, $\$156,101.35/121$ .....       | 1,290.09     |
| Total engineering costs .....                                   | 12,000.00    |
| Engineering costs per lot, $12,000/121$ .....                   | 99.17        |
| Total improvement costs, including engineering .....            | 1,389.26     |
| The total excavation costs are $\$19,590.00$ , or per lot ..... | \$161.90     |
| Of this, 75% is for lots, not streets (See p. 53) .....         | 121.42       |
| Other costs not street costs per lot are: driveway .....        | 55.00        |
| Lateral utilities per lot .....                                 | 174.50       |
| Total per lot .....   | \$350.92     |

The rest of the costs are street costs:  $\$1,290.09 - \$350.92 = \$939.17$  per lot by conventional planning.

By the Livability plan, street costs are reduced 14%: 14% of  $\$939.17 = \$131.48$ .  $\$939.17 - \$131.48 = \$807.70$  per lot.

Cost of lateral utilities is increased 20%: 20% of  $\$174.50 = \$34.90$ .  $\$174.50 + \$34.90$  is  $\$209.40$  per lot.

Lot excavation is reduced by half:  $\$121.42 / 2 = \$60.71$  per lot.

Driveway: \$55.00 per lot.

Total improvement costs without engineering costs,  $\$1,132.81$  per lot by using Livability plan.

Engineering costs at 8%: \$90.62 per lot.

Total improvement costs, including engineering:  $\$1,223.43$  per lot by using Livability plan.

#### COMPARISON

Conventional plan total: \$1,389.26

Livability plan total: \$1,223.43 per lot

Saving of \$165.83 per lot on \$1,389.26

$\$165.83/1389.26 = 11.94\%$  overall saving by use of Livability Plan, compared with over-all costs using conventional planning.

Thus we see that the cost of longer laterals is a small item when compared to the savings in streets afforded by this new system. Our over-all savings at the very minimum are over 10%. In most cases they run much higher.

In the next issue we shall show Dayton's Eastview subdivision laid out according to the Livability plan, in comparison with conventional planning, and compare the actual costs of each.

In all of these computations we have not considered that much cheaper land may be used in the first place with this system, that less grading is required on streets, as well as on lots, and most valuable, that sales appeal is vastly increased.

# Balance Your Sales Senses

By ROBERT WHITMER

J. C. Nichols Company

Are your salesmen over-using one of their "sales-senses" to the neglect of the others? Here's a fresh approach to the selling problems in a competitive market — by an experienced sales executive.

**FLASH** — *The use of all newspaper advertising or written advertising in any form is prohibited to the real estate profession.*

Sounds ridiculous, doesn't it, but let's dream for a few minutes on the possibility of such a ruling. What sales procedure would you put into effect should this suddenly become true?

Our five senses, seeing, hearing, tasting, feeling and smelling are the keys to normal balanced living. Take one sense away and the individual partially restores balance by relying more on the other senses.

Lose your hearing and you depend more on your sense of sight.

Lose your sight and you depend on both your touch and hearing.

Although we could develop a number of different sales senses, for the purpose of this discussion, let's assume they are:

1. Showing property.
2. Personal contacts.
3. Telephone contacts.
4. Use of signs.
5. Advertising (display — classified — mail).

Consider how you would sell if you lost one of your sales senses, or, perhaps, a more logical approach might be, "Which of the sales senses are you over-using to the neglect of the others?" Balancing your sales senses is the key to successful selling.

Suddenly, you are prohibited from the use of all newspaper advertising and direct mail in any form. You must rely upon other means to tell the world you have a certain property for sale. No more sitting blithely in your office waiting for the telephone to ring on that ad in the paper. No more advertising an "open house" and going to the property with your camp stool and portable radio to await the parade of buyers. What, then?

You would sharpen up your personal contacts and your activity

with your fellow man. Participation in the civic life of your community would take on a new meaning. And you can bet that your sign would go up — without fail. Your telephone solicitation would become a planned program and not just a scatter-shot effort to make appointments. All the well known (and many neglected) methods of getting prospects would become vital factors with a new significance. Your office presentation, your personal dress, your automobile — in fact your entire "front" to the buying public of yourself and your business would be analyzed and improved.

Need you lose a sales sense before doing this?

**FLASH** — *Effective immediately, no Realtor will be permitted to show property to his client. All contacts and sales work must be done at a location other than the property being purchased.*

Now we do have a problem. Or do we? This is no problem to the salesman who walks with their clients through a home and in a monotonous voice, points out, "This is the living room" — "This is the kitchen" (As if one could tell.) They are merely being companionable to the buyer — and sometimes not even a good companion. Are you a companion or a salesman?

This would be no problem to those salesmen who pass out a list of addresses and tell their client, "Drive by and if you like it, let me know." (Sure, I'll be glad to write up the sales contract and accept the sales commission, but please don't bother me too much in the meantime.)

How would you write your ad or describe the property to a client via the telephone or personal contact if you knew you would never have the opportunity of showing him the property? One thing is certain, you would have every bit of knowledge about the property

and its surroundings at your finger tips. You would know the area, the neighbors, the transportation, the schools, the churches — and uppermost, you would *know the property and its selling points*.

*Need you lose a sales sense before doing this?*

Self analysis is difficult, but good for any salesman. After reading this article, sit back for a few minutes and meditate on your own sales procedures. How often have you lost a sale because you left the client the night before when he said, "I'm not in a position to buy" and he bought the next day from someone else? Or, because later, a client bought the property you had told him about — from someone else? Or, he told you he wanted a small ranch home except that he bought a large two-story — from someone else?

What sales sense did you fail to use properly? When making a sales contact with your client, do you ever stop to think "This may be the only time I will see this person — the only opportunity I will have to sell him. I've got to make every action count."

Certainly, this could lead to overselling, but how often are you guilty of overselling versus *underselling*? To you who are familiar with the game of golf, I view this matter the same as the short putt. "Never up — never in." If we shoot too hard, we may over-run the hole, but if our aim had been straight at least the opportunity of making it was present. If we shoot too short, regardless of our aim, we never have a chance. The same is true in selling. I am convinced *more sales are lost from underselling than from over-selling*.

In watching our sales staff of 25, it is interesting to see how the individuals use the different sales senses. Some are particularly strong on classified advertising. Others pay close attention to their signs. Another relies strongly on his telephone. We have some who work diligently on personal contacts with active participation in many civic groups, clubs, etc. Still another who is a specialist on direct mail. This situation will be true in any sales organization and it is the job of the sales manager and advertising director to see that in the over-all, the sales staff maintains a "balanced diet." But this must begin with the individual. He is the one who must be aware of the importance of utilizing all of the sales senses. That means you.

are your prospects

# Shelf Conscious?

PHOTOGRAPHS BY SHAN STEWART



Ten feet of shelf space is added in a behind-the-door space of six inches. Doors are sliding glass panels.

This scrolled window frame and planter could be made from scraps left over from a modernization project. Bread tins hold greenery.



A simple idea is often the best, especially when it comes to utilizing every inch of space in your apartments or new homes. A small planter at the window, a cornice shelf for antique mugs, a wall-hung china cabinet, or a small magazine rack tucked neatly into a corner . . . all are eye-catchers for prospective renters or buyers. In the proper places, their sales value outweighs the cost.



Your shelf-conscious prospects will be pleased with this cornice. The scrolled edge fits in with the antique mugs.

Here, a minimum of lumber is put to maximum use — putting a corner to work and adding a decorative touch.



# 12 Ways to Boost Management Business

A JOURNAL SURVEY

How can you improve your management department in this competitive year? Thirteen property managers give their ideas on how to — improve owner relations . . . streamline your maintenance service . . . attract desirable tenants . . . control modernization costs . . . organize personnel efficiently . . . hire qualified people . . . take care of tenant complaints.

**C**OMPETITION is definitely back in the rental market. Vacancies are on the increase both in residential and commercial properties. What are property managers saying? From Dallas, Texas, Lyman Rogers reports, "Landlords are reducing rents on commercial properties to hold tenants." H. J. Marshall, Highland Park, Michigan: "Demand exceeds the supply of fair or better grade properties." San Diego, California, John Cotton: "Vacancies in San Diego have been on the increase for the last six months, the heaviest vacancies occurring in newer residential and fringe commercial property."

It all boils down to the need for more efficient management. What are property managers doing about it? *JOURNAL* editors asked for their ideas — the best methods they've found for increasing efficiency.

#### Give Owners More Attention

"Keeping owners informed is one of the major responsibilities of the property manager," says Carlton Schultz, Cleveland. Each month his company sends owners a monthly report on receipts and disbursements with paid bills attached. When a property needs special repairs, a complete report is submitted to the owner for approval.

A. T. Beckwith says the Keyes Company in Miami, Florida requires a methodical inspection of its properties every six months. Keyes' managers are allowed three months to complete this inspection themselves. This avoids the expense of maintaining a regular inspection crew. If repairs are necessary, the owner is informed and, with his approval, bids are taken. The bids, along with recommendations are sent to the owner for his okay.

William A. Wells of Buffalo, New York, says he makes monthly reports, quarterly suggestions, and annual comments to owners. In addition, he visits owners' offices and sends them invitations to inspect their properties. From time to time he sends recent photos of clients' property, particularly if they live out of town.

"We make a complete physical check-up of properties every six months without fail," says Winfree Slater of Richmond, Virginia. "Owners are kept posted on need for repairs so nothing will come as a shock to them."

"An owner's biggest objection to professional management is that

he considers himself a real estate expert and it is hard for him to understand that anyone can manage as well as he," says Schultz. "He usually doesn't employ professional management until something serious happens or some serious problem arises." Under present conditions owners are more likely to run into "serious problems." Now is the time for professional managers to show how experience and efficiency count.

#### Seek New Clients

Stanley W. Arnheim, Pittsburgh, says, "The very best way to get new management business is to sell yourself into it through sales to syndicates, large individual investors, insurance companies, trusts, and unions."

Cotton says, "Our source of new management clients comes largely as a result of personal work with property owner groups, regular monthly circulation to a selected list of 500 property owners, and referral from our present clientele."

Kenneth Draper, Lambrecht-Kelly Company, Detroit, says, "Build goodwill with present clients and make them want to sing your praises to others. That's a constant source of business."

#### Find New Tenant Sources

Classified advertising, most managers agree, is the most important single source of new tenants. Lyman Rogers says, "Small classified ads every day are better than sporadic big ads."

A second is friends of vacating tenants or word-of-mouth recommendations from present tenants. This is where good tenant relations pay off.

Screening to get desirable tenants is important. Marshall says his firm uses a rent application which lists the applicant's references, bank account, employment status and former landlord.

Morton S. Kline of Trenton, New Jersey, says, "We select tenants by investigating employment, previous residence, and credit report. We insist on meeting tenants personally before renting or leasing."

#### Improve Tenant Relations

Handling tenant complaints needn't be a headache. Kline says, "We usually handle tenant complaints on a personal visit basis, endeavoring to adjust amicably any difference. Usually we have very little trouble." If prompt at-

tention is given to justified complaints and properties are properly maintained, tenant complaints will not be a problem.

Take the matter of rent collection. Many offices use an efficient, impersonal collection form. John Cotton says, "Our procedure includes an adaptation of the Delbert Wenzlick addressing system in which receipts are pre-run at the beginning of the month."

In some cases rents are paid at the manager's office and personal calls made on delinquents. Phone calls often do the trick, particularly when failure to pay promptly is just forgetfulness. Often a forceful letter after one or two phone calls is effective. This letter might point out that delinquent rent is justification for termination of lease and eviction. However, some managers say that sympathetic consideration for tenants suffering from illness or temporary embarrassment results in better collections in the long run than hard-hearted eviction notices. You always have to keep in mind the goodwill factor, particularly under present conditions.

#### Streamline Your Maintenance Service

Some managers employ a central maintenance crew. Beckwith says, "We have three outside maintenance men regularly employed. These men handle the very small and minor repairs that are too small for contractors to handle."

Other managers find that a staff in each building works better for them. J. Clydesdale Cushman of Cushman & Wakefield, New York City, says, "Each building, according to its size and character, has on its operating staff mechanics and handymen who perform minor and semi-major work within their capabilities."

Handling different types of maintenance problems depends largely on the crew employed. Winfree Slater, who doesn't have a regular maintenance crew except in buildings large enough to warrant one, says, "Our rental manager checks all repairs needed before a work order is issued, unless it is of an emergency nature. Inspection is made of completed work before payment. Usually repairs that cost less than \$150 per job are done without the owner's consent. Over this amount we contact the owner before having the job done."

Russell Pointer of Saginaw, Michigan, who employs a regular

maintenance crew, says, "Owners approve items above \$100 except on office buildings where we have complete control."

Whatever system you use, managers agree that efficient maintenance is a major factor in getting and keeping desirable tenants. Keep a constant look-out for maintenance needs and make necessary repairs promptly. Such service will pay off as competition increases.

#### Modernize Out-Dated Buildings

We asked managers, "How important is modernization?" The overwhelming reply was "very important." Competition demands modernization. If neglected, the out of date, backward property, whether it be commercial or residential, can fall by the wayside in this year's competitive running.

Controlling modernization (and major maintenance) costs is a big problem. Most managers get competitive bids, although some have found that dealing consistently with one firm is best for them. Slater says, "For years we've been dealing with only one firm for each trade needed. We are furnished an itemized statement listing purchase of material, name and hours of workman, plus 15% for overhead, plus 10% profit. This works out fine and our owners like to see their bill in detail."

Beckwith says the Keyes Company gets competitive bids from three or four responsible contractors. The lowest bidder is considered acceptable if his reputation and experience are equal to the others. He says, "We would have no other way of controlling the cost of material and labor other than through the competitive bidding system, and we recognize that all contractors are subject to constantly rising labor costs and possibly material costs. Nevertheless, we must be satisfied that such bids from reliable sources represent the lowest cost and best method of making improvements."

In almost all cases cost estimates or bids are submitted to the owner for approval before work begins.

#### Hire Competent Personnel

Good management personnel are the moving parts that make your management department tick. Your selection of qualified people depends on the job you expect them to do. Edward F. Rogers of the Douglas L. Elliman Company in New York City says, "We have what we call 'district managers' who each supervise the op-

eration and maintenance of about 10 to 18 apartment buildings. Their job consists of attending to all tenant complaints, all repairs in the building interior and exterior, guiding and advising the resident superintendents, making sure the building is clean and that the employees are neat and courteous to tenants. We do not use these men as rent collectors — such work is handled by office personnel as is leasing and renewing. Men for this work are selected because of their experience either within or without this organization. At the present time I would judge a starting wage would be in the neighborhood of \$90 per week."

"Aside from the district man-

agers," Rogers says, "we have an engineer who is available to handle the problems of all the properties, and two top executives who get into more complicated problems not readily settled at the lower level. Our management department is operated as a team, and the humblest property has the benefit of the attention of our most qualified personnel."

Draper, who also prefers this "horizontal" type of management, says, "This arrangement gives one man an intimate acquaintance with each property in all its aspects and keeps him in touch with the owner and his desires. In large offices, a maintenance specialist can be used by the whole organization for involved or problem

maintenance or major alterations. A purchasing specialist can also be used if the operation is large enough. It is wise to rotate management field men if the horizontal system is used on a geographical basis in order to be more elastic and provide for vacations, illness, and for any changes in personnel."

Some firms have a training course for new personnel. Rogers feels this is not necessary in his firm because managers are carefully screened and must be well qualified before they are given the opportunity to handle properties. Also, he believes that a team-like arrangement allows a less qualified man to get advice from his associates.

## **Should We Return To "LAISSEZ FAIRE" IN HOUSING?**

By E. H. BOECKH  
Consulting Valuation Engineer  
Washington, D. C.

**What will expanding consumer credit do to your business in 1954? Are we depending too much on government crutches? Our author warns against blind reliance on federal help, saying that its time to put the real estate and home building business back on a free enterprise basis. This critique will help in planning your '54 operations.**

FOR nearly a quarter of a century we have been living in an era which is always on the verge of a crisis. The present atomic fog which enshrouds Washington is very little different from the past. To stay in power a government must give the public prosperity and full employment, no matter what the future consequences to the national economy are.

It was but a few weeks ago that the U. S. Department of Commerce issued a rosy picture on the state of the national economy. Now from the same source, one can pick up the confidential information that there can be a slide in

our nation's productivity by as much as \$35 billion.

Faced with an unbalanced budget, a receding economy and an automatic reduction in federal taxes, is the present atomic smoke-screen on Russia's having the hydrogen bomb a device to start more government spending? The act which has been put on in the last few weeks by stalwarts of the Administration has been pretty poor and unconvincing.

After 25 years of trying to buy our way out of difficulties, both foreign and domestic, it seems astounding that someone hasn't thought of a way of placing an in-

centive on work rather than a premium on government-fostered personal security.

What has this to do with real estate sales, exchange and new construction? In times of an expanding economy and inflation of the dollar, money just naturally converts itself into fixed or solid assets. When the economic flow is in the other direction, the conversion is into liquid assets. At the present time, we are on a pinnacle of an expansion of the economy supported by a lot of unnatural economic motivations. The question is — have we got the intestinal fortitude to level out the economy and build it on natural motivations?

1954 will be crucial for all concerned, and by the time this is published Congress will again convene with a great number of its members seeking a return to their jobs within the coming years. This Congress can either endeavor to buy its way back in, or it can start cleaning up a well-entrenched extravagant bureaucracy.

In 1954, we will face a retraction in construction volume, due to the fulfillment of government-fostered facilities of doubtful future usefulness to the public. The potential for the right kind of construction, however, is still here if the future planning is not left solely to political motives.

Housing construction has slumped during the last few months from several causes; first, people who could buy are either price-conscious or not interested in mass-

(Please turn to page 40)

**Now! Genuine Heslop Homes at MORNINGVIEW are  
GUARANTEED FOR FULL YEAR!**

## He Sells Homes Like Appliances

SALES executives of a large appliance company told Realtor-Builder Jack Heslop of Akron he should merchandise his homes with the appliance industry's technique. The cooperative promotion attracted more than 25,000 visitors to two model homes in eight days. Heslop, president of Heslop, Inc., says the event was staged "not only to sell this project, but to help set a selling pattern for the future."

The central theme of the whole campaign was "A House With A Guarantee." Each of the 153 new \$12,000 homes in the tract has a written, unconditional one-year guarantee. Standing behind this guarantee, along with the builder, are 17 manufacturers of brand-name materials and equipment featured in the homes. Among them are such names as Youngstown Kitchens, Westinghouse, B. F. Goodrich, Minneapolis-Honeywell, Chrysler Airtemp, and others.

These manufacturers also helped in the selling campaign by exhibiting their products in a large tent that Heslop erected in the back yards of the two exhibit homes. This dramatized the fact that Heslop uses only top-grade materials and equipment, and gave a "county-fair" atmosphere to the open house event. To further promote this atmosphere, orchids were given to the ladies, balloons and lollipops to the kids.

Twelve days before the opening, teaser ads were run in the newspapers which led to a double-page blast on the opening Sunday. Meanwhile, radio spots supplemented the newspaper advertising. A special 15-minute radio program, recorded in the exhibit tent during a Friday preview for suppliers and civic officials, was put on the air Saturday preceding the opening.

Signs at key highway intersections pointed to the two Heslop model homes. At each home the guarantee was exhibited. Visitors received a two-color brochure pointing out each of 38 features and illustrating many of them. To encourage registration of visitors, a grand prize of a Jet-Tower 48-inch Electric Sink was offered.

"We're satisfied," said Jack Heslop after the event, "that the merchandising methods used by the mass-production manufacturers can be used to sell new homes in volume in today's market."

On "open house" Sunday this two-page newspaper ad heralded the "House with a Guarantee." It was preceded by 12-days of quarter page display advertisements.

Traffic was heavy during the eight days the Heslop "open house" model homes were shown. More than 25,000 people inspected the two homes, an average of more than 3,000 a day.

Big colorful signs were placed at all approaches to guide visitors to the "open house." Heslop Inc. has been building homes for three generations in the Akron area.

In a huge tent at the rear of the two Heslop model homes, all of the major equipment used in construction and furnishing was exhibited.



# The Commercial Building Spree

BY CHARLES F. NOYES

*Chairman*

Chas. F. Noyes Co., Inc.  
New York

In the first 10 months of 1953, commercial building expenditures leaped 55% over the same 1952 period. In New York City, for example, new office buildings are going up like wildfire. Here's a first hand report by a prominent commercial broker-manager.

OUR COMPANY, which is solely a real estate brokerage company specializing in the management, sale and rental of office, commercial and loft buildings largely in Greater New York, is a good criterion of all conditions in this branch of the business. We have approximately six thousand business tenants located in about six hundred buildings and employ approximately 3,000 to operate these buildings. The total value of the real estate under our management is about \$250 million.

Business with us in the brokerage field is excellent. Our fiscal year is from May 1st to April 30th and for the months of May, June, July, August and September of this year we have greatly exceeded commissions in the Management and Brokerage Divisions of any year during the past five years. Incidentally, the profits of our company for the year ending April 30th, 1953 exceeded our profits of the previous year, which included probably the largest real estate brokerage commission ever paid on one transaction, resulting from the sale of the "Empire State Building." 6200 brokerage transactions were negotiated exclusively by us in the year ending April 30, 1953 and as stated before the volume is greater both in number of transactions and in commissions during the past five months than during the same period the previous year. Collections have never been better.

Existing buildings are substantially 100% rented both in the financial, insurance and downtown section and in the uptown area. There are more larger deals being closed at the present time in connection with office space in New York City than ever before.

William Zeckendorf of Webb & Knapp recently purchased the two "Chrysler Buildings" and the "Graybar Building." These transactions, involving the financing of the three buildings in connection with which our company was interested as appraiser, represent over \$100,000,000. In addition

Mr. Zeckendorf plans a building containing 2,000,000 square feet of space which he intends to erect west of the Pennsylvania Station. This is the size of the "Empire State building" which is one of the largest office buildings in the world with its two million feet.

Webb & Knapp are also interested in half a dozen other large transactions throughout Greater New York, one being the 650,000 square foot building being erected at 112 West 34th Street (33,000 square feet to a floor), 26-stories high and running from 34th to 33rd Street directly opposite on each street — Macy's on 34th Street and Gimbel's on 33rd Street — connected with an arcade and housing F. W. Woolworth & Company's most important store in the world. In addition to the terrific business being done by this aggressive firm, Tishman Realty & Construction, Uris Brothers, Ivor B. Clark and Samuel A. Seaver and associates are erecting outstandingly fine office buildings throughout the midtown and uptown section. Furthermore, John W. Galbreath is erecting one of our most important buildings on 42nd Street to 41st Street from Lexington to Third Avenue on a plot of 83,000 square feet and it will contain over 1,000,000 square feet of space. While the steel has not been set in the majority of these buildings yet the owners report that 40% to 60% of the space has been rented from the plans.

## Strong Market

The Noyes organization was established 55 years ago and during this period the writer has never seen as much construction going on at the same time as now; and we have never witnessed the strength that the market has at the moment. Downtown is coming in strong with a building announced recently by Jack Weiler and Benjamin J. Swig which will contain 1,000,000 square feet and cover the 73,000 square foot plot of the Produce Exchange site and it is stated that plans have been

practically completed for General Realty & Improvement Company, one of our big leaders here, to erect a high office building covering the blockfront on Exchange Place from Broad Street to New Street now owned by the New York Stock Exchange which will become an important tenant in the building and it will be an annex to their main office building covering the blockfront on Wall Street.

## Remodeling Opportunities

The space in the newer office buildings and particularly in the downtown section varies from \$5.00 to \$7.00 per square foot. Many believe, including the writer, that unusual opportunities exist in connection with purchasing some of the older buildings in New York City, but naturally located in the most preferred locations where the rents can be maintained at \$3.00 to \$3.50 per square foot and every improvement given the tenants, including at the latter rental air-conditioning. Some of these buildings are said to be even more attractive as regards office layout, higher ceilings and arrangement of floor space than the newer buildings due to the more recent Building Department restrictions and zoning requirements relating to buildings.

Such buildings are owned today with improvements made at a price of 50% to 75% of the actual figures that these buildings sold for twenty years ago when we had a 100c dollar against a 50c dollar today. Definitely and without reservation New York City holds great inducements for investment buying in business property and particularly in office buildings, and many of our large national investors are commencing to recognize this fact. I predict that much of this real estate will go to eleemosynary institutions and to pension funds because the income that can be received from this real estate is greater in my opinion than income from other investments and the investments are conservative in every way.



Full glass wall of the living room faces this pleasant patio where a long roof overhang provides shade as well as protection against rain.



Floor plan shows spacious living area — living room, dining room, TV room combination. Notice extensive glass area and the ample closet space.

This attractive bedroom faces out onto a grassy plot at the end of the concrete patio. Note large window area and open ceilings.



View of living room shows glass wall, open ceiling of beams and lapped planks which saved money on construction. The room is 36 feet long. The iron shelves act as a divider.



PHOTO BY ROGER STURTEVANT

## Homes Our Readers Are Building

• IN CALIFORNIA

**San Francisco real estate builders sell with prize-winning designs.**

**I**N the San Francisco Bay area Grace Perego and Elmer Gavello are real estate builders who have not only met the current buyer's market, but are way ahead of it. They offer buyers the economy of tract construction, plus the advantage of good, individualistic design by top architects.

The Gavello Glen tract, south of Sunnyvale on the San Francisco Peninsula, is the combined product of builders Gavello-Perego and architects Anshen and Allen. As planned, the tract will have 150 homes, of which 31 have already been built and sold (like the traditional hot cakes) at prices ranging from \$13,000 to \$14,000. Work is now underway on 10 units in a group of 60 additional houses.

The complete cost breakdown hasn't yet been compiled for the new houses, so a firm sales price hasn't been set. However, it is expected to be in the neighborhood of \$14,500. This higher cost, according to the builders, is due to increased cost of land and improvements, as well as an increase of approximately 60 square feet in the area of the house. This increase

was obtained with no significant change in the plan. A feeling of extensive space is achieved in the 1,450 square feet of living area.

The living room is 36 feet long and serves as a TV room, dining room, or simply for lounging. Bedrooms are comparatively small because they are used for little more than sleeping and dressing.

Not one of the 150 houses which will ultimately go into the tract faces directly into the afternoon sun. A long window wall opens to either the south or the east. A deep roof overhang provides shade and protection from the rain, and the open carport doubles as an outdoor living area.

Interior space is divided with storage cases and furniture rather than with expensive, space-consuming partitions. The ridge board and the pattern of beams and lapped planks for the roof sheathing can be seen from one room to another, as room dividers are held considerably below the ceiling level.

The home is heated by radiant heat, and includes such special sales features as Rheem hot water heat-

er, Briggs plumbing fixtures, Formica counter tops, and in most models the builders furnish a General Electric dishwasher and a Nutone exhaust fan in the kitchen.

Financing is under FHA terms, depending upon location, lot size, garage or carport arrangements and facilities provided. The top price for the homes now built in the tract is \$14,000 with FHA down payment and terms.

A furnished model home is kept open to the public seven days a week and is used as the basis for promotion and future sales.

Sales are handled exclusively by the builders and staff. Promotion includes newspaper advertising, billboards, and publicity in local newspapers on awards the homes have won, such as an award of honor from the local chapter of the American Institute of Architects. It also won an award of merit in the 1953 National A.I.A. competition for the merchant building class. The builders feel that it is advantageous to name the architects in their advertising.

## Open Forum For Your Legal Problems

GEORGE F. ANDERSON, *Moderator*

DEAR MR. ANDERSON:

Never, in 49 years of experience in realty, loan, and insurance work, have I worked without a written contract, and always with the commission expressed both in the listing contract and in the earnest money contract. I insert the commission agreement in both forms, but in the buyer's copy I state where the commission clause comes in — "as agreed between seller and agent."

If the buyer asks what commission we charge, I tell him just what it is and never have had any complaint or resistance. It is just the way the agent handles the situation. A "wimpy-washy" agent can, of course, upset a deal and if he does, that is "his funeral". There is nothing to fear by being open and above board.

If all agents would stop fooling around with verbal listings, they would have no trouble.

Wade H. Shadburne  
Normandy, Missouri

*I have always believed in tempering the wind according to the shorn lamb. If I were a realtor, and an owner wanted to list a property with me, and refused to sign anything, and I thought that I had a good chance of selling the property, and the law of my State didn't require a written, signed listing, I'd take the verbal listing. I think our correspondent would*

*too, and so would you. Iron-clad rules are no good.*

DEAR MR. ANDERSON,

Another agent took a business man out for the sole purpose of finding a rental for him. They came to a house just being completed. The agent showed him through the house and told him he might be able to buy it at a sacrifice a little later. The business man asked him to get a price on it and let him know. The agent never did anything more about it.

Our agent took the same man out for the purpose of buying a house, showed him the same house, quoted the price, terms, etc. The man bought it. He did not tell our agent that he had already looked at it with the other agent when they were looking for rentals.

Now agent No. 1 says he is entitled to half of the commission and has engaged an attorney to collect it. The owner had not listed the house with the other agent and does not think he is entitled to any part of the commission, and neither does the buyer.

We would appreciate your opinion.

Evelyn M. Peckanpaugh  
Gilmer Real Estate Agency  
Gulfport, Mississippi

*This fact situation presents the common question of which of the*

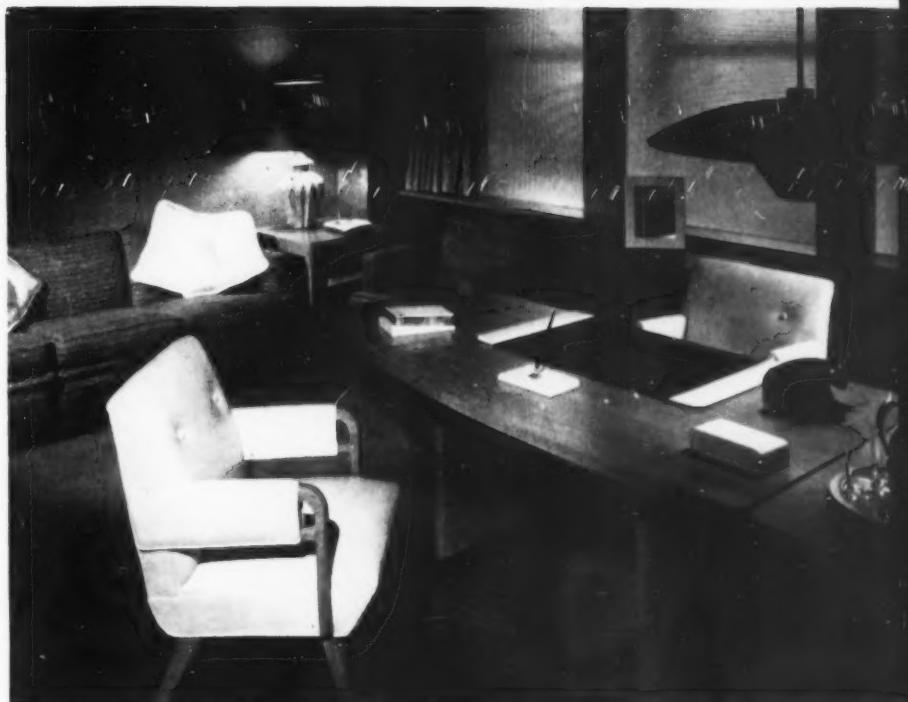
*two brokers were the "procuring cause of the sale" and will have to be decided by the jury, or by the judge if it not a jury trial. The buyer will be permitted to testify as to his state of mind, that is to say, as to which one of the two brokers caused him to make up his mind to buy the property. From the facts stated it seems to me that our correspondent was the one who got the buyer to make up his mind to buy the property. Of course, what our correspondent said to the buyer may be important. If the first agent is entitled to recover at all, he is entitled to recover the whole commission.*

*A letter was published asking how a broker can protect his commission where an owner sells to one of his prospects after the exclusive has expired. I received ten letters from all over the country enclosing forms that were being used successfully. It isn't a difficult problem. All that's necessary is a provision in the exclusive that the owner shall pay a commission if he sells the property to any prospect submitted by the broker. Most such provisions have a time limit — 60 or 90 days or six months. When I draft an exclusive, I put in no time limit. If an owner sells the property to a prospect submitted by the broker "at any time" the broker gets his commission.*

HAVE YOU ever bought new furniture for your offices only to discover that it took a complete redecorating job to make the transformation you wanted? Recognizing this problem, dealer-members of Executive Furniture Guild, Grand Rapids, Michigan, sell "offices" instead of just furniture. They create tasteful, coordinated offices for business executives, including everything from desks to ashtrays.

Each office is done according to a carefully planned formula, complete to the smallest accessory. Before a dealer-member begins his design, you select furniture, floor covering, drapery, upholstery fabrics, lamps, accessories, wall treatments, and colors from a wide Guild assortment. The dealer supervises, local craftsmen supply labor. Structural defects are corrected when necessary.

Cost of Guild service depends on the office, of course, but usually ranges from \$1,000 to \$5,000.



This coordinated executive office has two walls painted gunmetal color, another of flexwood paneling and another covered with geometric wallpaper. Drapery and carpeting are green.

PHOTOS: GEORGE W. REINDEHL, A.I.D., I.D.I., EXECUTIVE DIRECTOR, EXECUTIVE FURNITURE GUILD OF AMERICA



Three chairs form a sectional for a reception area. A bold egg-crate ceiling picks up contrasting colors from the overall scheme.

# Designed for sales offices

Here the walls and carpeting carry out a brown and white theme with black antique leather chairs. Unusual ashtrays are ceramic red and gray. Lamps are chalk white.



# Make Your Telephone Pay Dividends!



Today's keen competition should focus burning-glass attention on your salesmen's telephone "manner." Nothing can kill a sale quite as fast as poor telephone salesmanship. Our author gives valuable tips which can turn telephone calls into sales results.

By RENE R. LINDEN\*

Michigan Bell Telephone Company  
Detroit

HAVE you ever considered just how much it costs you every time you answer your telephone? It has been estimated that, on the average, in a real estate office costs may run as high as five dollars per call. Time is money, and it is especially important on the telephone, because there every second counts.

How seriously do you take this matter of answering the telephone? I took the opportunity to go around

to a number of real estate people in Detroit, and to observe how they were using their telephones. Here are some of the problems I met, and some possible answers. I will dwell on the negative side because I want to make the contrast as strong as possible.

One of the first problems is general, not only in your field, but in every field. Listen to this: (Operates record player, telephone rings endlessly, crashes and grindings heard.) That was approximately 32 seconds and six rings of your telephone. Now, do you feel that that company, had you been the caller, would want your business? I think not, and yet this is one of the most common violations we run into. Answer your calls promptly.

At the end of a busy day in a real estate office, your heads are probably spinning with questions like this: (Recording) "What size lot is it on? Does it include carpets and draperies? How much is the down payment? Is it easy to reach? How old is it? Does it have a bar in the basement?"

After a day of such questions people in your office might answer their telephone or handle their prospects like this: (Recording) "Hello! What's the number of the house on Faircrest Court in Detroit?"

"Well, that's at 1384 Faircrest Court, and the price is \$2380."

"Oh, thank you very much. Goodby."

"Hey, just a minute, hello, hello."

That isn't the worst. It may be that your people finally get to the point where they feel they have to defend themselves, something along this line:

(Recording slow ring again)

"Hello. You had an ad in the paper yesterday about a house near Prospect Park."

"Yes."

"Well, I'd like to get some information on that. Can you tell me . . ."

"The head man of the office is out just now. Who's this calling."

"My name is Smith. All I'd like to know is . . ."

"Just a minute."

"What kind of an outfit is this?"

"Hello, I'm sorry, you'll have to talk to Mr. Cross on that. He's not in just now."

"Well, can't you give me some information?"

"Oh, no, I'm sorry, I couldn't do that."

"Well, okay, I'll just skip the whole thing."

That may be a little exaggerated, but on the other hand, here is a case of, slow answering, no identification, interrupting the calling party, not offering to make a call back. In other words, showing no interest whatsoever. I'm glad to say it is not typical of what I heard, but nevertheless I offer it to you as a startling example.

It wasn't entirely the girl's fault. She wasn't told when they might be back, or where they might be reached if something came in for them. Had she had some of that information, she might have been able to handle it like this:

(Recording) "I'm sorry, but Mr. Jenkins, who is out just now, would have that information. I expect him back within a half hour. May I have your name and telephone number, so that we may call you as soon as he returns?" "Well, yes, this is Mrs. Phinney. My telephone number is Prospect 6207."

That makes it a little bit easier. Now, I'd like you to hear just one more along this line, because it illustrates violations of several other rules of tele-

\*Adapted from a copyrighted lecture given at the University of Michigan for the Michigan Real Estate Clinic (by permission of the University of Michigan).

phone courtesy. See how many of them you can spot.

(Recording) "Black and Star Realty."

"You have a three bedroom bungalow advertised in the *News* on Frost Street. How much were you asking for that?"

"Harry, was that yours on Frost Street?"

"Yeah, Mable."

"Okay, pick up line two." (Harry picks it up.)

"Hello."

"I wanted to know the price of that stone house on Frost Street."

"Well, who is this calling?"

"My name is Mrs. Temple."

"T - E - M" . . .

"Temple" . . .

"And your phone number?"

"University 52980."

"Now can you tell me?"

"5 2 9 8 0."

"And your present address?"

"That's 8075 Aggie."

"Do you rent or own there?"

"I rent."

"Now look here, all I wanted to know . . ."

"The price is \$22,000 ma'am."

"Well, thank you!"

Wasn't that horrible? We did exaggerate these calls to bring out the points. You will notice that that party took twice as long being rude as it would have taken to be polite in the first instance, and that is all we are talking about, a matter of politeness and courtesy. You might say, I never treat my customers that way, or my prospects. I am sure you don't, but there may be some practices occurring in your office that could stand a little brushing up.

#### Two Important Points

Let us consider the two things that enter into your side of a telephone conversation. First, there is the individual, (you or your salesman, your people), and second, the manner, or telephone technique used in conveying yourself. Talking face to face, we have both the visual and audible appeal to the listener. On the telephone, at best, you only appeal to the ears of the listener, and you haven't the benefit of your hands, facial expressions, and all the other benefits of the face to face contact. Therefore, you've got to study the thing a bit so you can put yourself across.

Consider the individual. Improve your voice personality. Be natural. Any unvarying line of patter is easily detected, and it introduces a note of insincerity into your discussion. Speak clearly and distinctly. Avoid, above all, talking too fast, because that makes your words run together. Avoid talking too slow, because again, you may sound disinterested. The best thing to do is to "tune in" with the party you are talking with, if he is talking fast, speed up, if he is slowing down, slow down yourself. The third item is interest, and I think if I can leave one thought with you, I would like it to be on that one point, personal interest in the calling party.

One way of showing interest is by not interrupting your customer or your prospect. Be a good listener. A second way of showing interest in your calling party is to use his name. I know that is one of your big problems, getting the calling party's name, but once you get it, hang onto it and use it frequently in the discussion. It personalizes it. Everyone likes to hear his name repeated. Another way to express in-

terest is to concentrate on what is going on. Have you ever talked to someone who, you have the feeling, is shuffling a deck of papers, or maybe motioning to the office girl to get him a pack of cigarettes? That can be very distracting. People notice that. In other words, concentrate on that one call as though it were the most important thing in your life at that moment, which it really is.

Have an agreeable inflection in your voice of conveying an agreeable attitude. It may be all right, if you are selling a cemetery plot, to speak in a monotone, but you aren't selling cemetery plots, and you don't want to make your prospects feel they're in a funeral parlor. So put a little inflection in your voice. On the other hand, don't bubble over. You don't have to tell people that "this house is going to make your family happy every minute of every day." There is the middle path.

#### Courtesy Is Basic

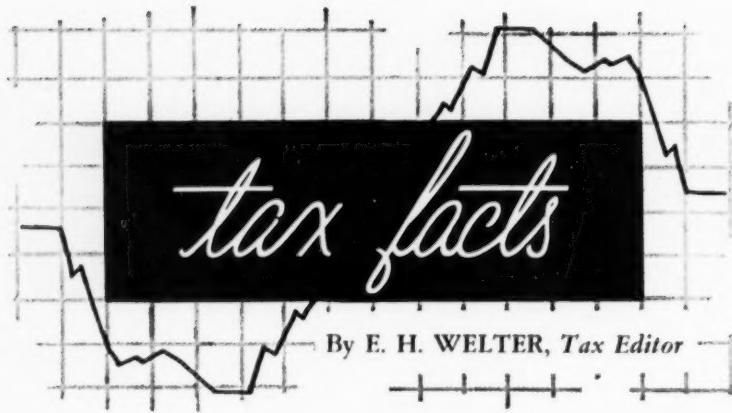
Now let's look at the technique of telephone courtesy itself. We have a code of manners and business courtesy in writing letters. We have certain courtesies in face-to-face conversation. Why is it then, that we fail to remember that there is a code of courtesy on the telephone? There is no difference between this and your face-to-face conversation. The most important rule to remember is to treat the calling party exactly as if he were in your office.

Let us examine a few basic principles of telephone courtesy technique. First, is prompt answering. Second, identify yourself properly, always by name, both the firm and, where appropriate, the individual. Get out of this "hello, hello," business. You may not believe it, but some of that is still going on in business today. Try identifying yourself and see how your callers like it. They may even identify themselves with you, if you offer your name. Concentrate on one thing at a time. The customer you have in front of you or to whom you are talking is the most important thing that you have at this particular moment.

Rule number three is don't transfer a call to someone else if you can handle it yourself. No one wants to be kicked around. Number four, keep pads, paper, and pencil handy at all times. Be ready to take down identifying information, whether it be the customer's name or any other pertinent data. Likewise, keep reference material handy. Organize your job so that you can give information promptly, and accurately, without shuffling around. The old business about "wait a minute till I get a pencil," sounds like the old country store approach, certainly not the modern business approach. You run lots of ads in your paper. Keep those ads close to where you are answering your telephone. Everyone of your people should have these right at his elbow. And, if for any reason, you get a question that you can't answer right away because you don't have the information available, offer to call back. Don't keep the party waiting.

In our business, we consider that anything over a one minute wait, while you are off the line getting information, represents very poor service. However, I am not advocating a one-minute wait as good service. How long should you be gone? What is the minimum? As quickly as possible, that is the only sound rule that I know. When you finish talking, say goodbye pleasantly and, of course, hang up the receiver gently — very much in the manner of ushering someone out the door.

(To be continued.)



**PARTNERSHIP VENTURE** on a fiscal year basis, may provide a tax advantage by deferring profits to a year of low income. Tax Court found, (Ray, TC Memo), that taxpayer entered into a partnership agreement with two of his employees to complete a specific subcontract. The subcontract was completed and paid for in the year 1945. The profits from this partnership venture, however, did not accrue or become income to the partners until January 31, 1946, the end of the partnership fiscal year.

**FEDERAL SAVINGS AND** Loan Association dividend checks and dividend credits. The Tax Court ruled (Maurice Fox v. Comm., TC 9/20/1953), that if a corporation followed the practice of declaring dividends payable on the last day of the year and mailing checks to reach the investors the first few days of the following year, they are income when received. Such dividends would be income in the prior year, however, if they were merely credited to the investors' accounts.

**METHOD USED BY PARTNERSHIP** in reporting profits must also be employed by individual partners in preparing their individual tax returns, says the Tax Court, (John G. Scherf v Comm., TC, 5/14/1953). In the case cited the partnership sold its business and assets and received 20% of the purchase price in cash. The balance to be payable in two equal installments in the two succeeding years. The partnership reported the capital gain on the completed transaction basis. Taxpayer partner referred to, reported his distributive share on the installment basis. As normally supposed the

partnership return is for information purposes only, but if this Tax Court decision stands the partners' tax problems must be anticipated in preparing the partnership return.

**WHEN IS GAIN REALIZED** on property taken under eminent domain? Taxpayer purchased land in 1943. It was condemned in 1944 by the United States. A deposit was made in 1944, in the registry of the court, in the sum of \$5,370.00, to be awarded the taxpayer. The amount was litigated and final settlement was made in the year 1946, for a greater amount. The point in argument was whether the sale occurred in 1944, when the property was condemned or in 1946 when payment was finally made. The parties agreed that the taking constituted a sale but when title passed seemed to be unimportant. The taxpayer being on a cash basis could not have received the cash nor reported it as income in this case until final settlement in 1946, so says the Tax Court. (Nitterhouse, CA-3). The taxpayer had a claim against the United States in 1944, true, but it could not be assigned nor could the actual value be established at that time. The date the money was received is the answer according to the Court. This rule was applied also in (McGuire, Inc., v. Comm.) even though the taxpayer was on an accrual basis.

**CONSIDER TAX CONSEQUENCES** when making a change in business ownership. Before completing plans for the sale, purchase, liquidation or any change in type of ownership of a business, study closely every phase of the deal for opportunities to reduce

the tax expense, providing it will not alter any other desirable features. We have made suggestions before in this column on this topic but at the year end it is very important to again become conscious of the opportunity to minimize taxes. A recent Tax Court decision (Diamond A Cattle Company v. Comm.) illustrates a point where liquidating dividends in the form of herds of cattle were transferred to a sole stockholder in August 1945. The expense paid by the corporation for feeding the cattle for the 7½ months of the year of their transfer and prior thereto, was lost, because the Tax Court said, such expense could not be carried back to a prior year because it must be applied against the raising of the cattle. After their transfer it ceased to be necessary and ordinary business expense of operating the corporation.

**A REDUCED ALTERNATIVE** capital gain tax rate goes into effect January 1, 1954, from 26% to 25%. For those who are planning to dispose of capital assets, a postponement, other factors being favorable, may save them some taxes. Since the alternative privileges do not start until the effective income tax rate exceeds the capital gain tax rate, a greater savings will be offered to the lower income bracket taxpayer, because all rates will be approximately 10% lower after January 1, 1954.

**VALUE OF SOUND APPRAISALS** to those involved in property transactions, has been mentioned before in this column. Another taxpayer has been denied some tax benefits (J. E. Hale v. Comm., TC), because he did not show a separate basis and selling price for his home and business, both sold under threat of condemnation in 1948. Without the separate basis and the sale price of his home and business, gain or loss on the sale could not be allocated. Hence the question of non-recognition of gain for the taxable year 1948, could not be determined for any benefits due him under Code 112 (f) for any part of the proceeds which he reinvested in similar property.

**MERE SHRINKAGE IN VALUE** of investments does not create a deductible loss for tax purposes. (875 Park Avenue Company v. Comm., TC Memo 10/9/1953). This same loss is deductible says the Tax Court when the securities become entirely worthless.

BY GEORGE F. ANDERSON

A MAN owned a building, and he wanted to sell it, and a friend of his wanted to buy it. Each of them wished to deal fairly with the other, but they had no idea of what the value of the building was. The owner said, "I'll tell you what I'll do. I'll have the real estate man around the corner get an offer on it, and that's the price at which I will sell it to you for." So the owner went to the real estate office, and listed the building for sale. When the broker asked the price, the owner said, "get me the best offer you can get for it." After working on the sale for about a month, the broker brought in an offer of \$27,500. The owner said, "is that the best you can do?" The broker said that it was, and the owner turned the offer down. It was a good price. The next week the owner sold the property to his friend for \$27,500. The broker may never have found out about it, but the owner let his tongue wag, boasting about the joke he had played on the broker, and how clever he had been. He boasted to the wrong person. He boasted to a man who had a keen sense of right and wrong, and who went to the broker and told him all about it. I think the broker is entitled to a commission. When a property is listed, and no price is agreed upon, the owner can turn down any offer that the broker submits. But stir a little bad faith in that kettle and it changes the soup. I think that considering that the price was a reasonable one, and that the owner was acting in bad faith, the broker is entitled to his commission. What do you think?

A BROKER went to his lawyer and said, "If I put a sign in my window, 'I will pay \$500 to any man whose property I can't sell in 60 days', how binding could it be?" The lawyer said, "It wouldn't be binding at all. It doesn't state any price. It's too uncertain. An offer to be binding must be certain." So the broker put the sign in the window, and that afternoon a man came in and listed a two-flat building at \$20,000. Sixty days elapsed, and the property was not sold. The owner said to the broker, "fork over the \$500." The broker smiled and said, "that offer is not binding, it is too uncertain." He had another smile coming. He had to pay the \$500. It is true that the offer was too uncertain but it was made certain

## THE LAW SAYS!



A broker says he'll sell any property in 60 days or fork over \$500. Can you sue him if he doesn't? How close to an "asking price" is a commissionable offer? What's the Dram Shop Act? When does bad faith affect the broker's right to a commission? Here are the answers.

by the acceptance. When the broker took the listing at \$20,000 he agreed that that was the amount that he was to sell the property for. If before taking the listing he had said to the owner, "I can't get over \$7,000 for that property," there would have been nothing that the owner could do about it.

A N owner gave a broker a non-exclusive on a building. When the broker made out the listing, he asked, "What's the price?" The seller said, "Ask \$45,000." The broker put down \$45,000. The broker submitted an offer of \$44,500, and the seller turned it down. The next week the seller cancelled the listing. Is the broker entitled to a commission? I think he is. When the seller said "Ask \$45,000," that meant that he would take less, so the broker really got an offer for the amount that the seller had in mind when he listed the property for sale. If the seller had not said "ask" but simply said "\$45,000," that would have been different. I'm so sure of what I have said

that I would be willing to bet a good 5¢ cigar on it.

I F I OWNED a mortgage on a building that housed a tavern and the mortgage contained an assignment of rents or was supplemented with such an assignment, I would feel better if I was included in the Dram Shop Bond.

You know that the Dram Shop Act makes the owner of the building liable under the Act and the owner has been interpreted to mean one who has a "rentable interest." He has such an interest if the assignment gives him the right to choose tenants and an assignment of rents that does not give such authority is not much of an assignment.

Sometimes the assignment does not give the authority until there has been a default, and in such cases, the "rentable interest" does not accrue until after default. But what is the use of splitting hairs about it. Put the name of the mortgagee in the bond and be done.

(Please turn to page 40)

## Laissez Faire in Housing?

(Continued from page 30)

produced, shoddy cracker-boxes fostered under government guarantees, inexperienced appraisals, and fictitious markups.

Plenty of houses probably could be sold without downpayments and to buyers of questionable credit risk. But here again mortgage interests are looking for more security than government guarantees and the probabilities of becoming saddled with non-transferable government securities. There is also a question of just how far a recession could go before the government guaranteed funds would become exhausted.

In the middle twenties, we were building just about the same number of dwelling units as we are today; in those days this type of construction was really free enterprise. A majority of units were constructed by builders who built but a few units a year; labor on houses was non-union; contractors' markups were reasonable — nor was the house loaded with taxation. This period finally hit the saturation point of possible buyers about 1928. The straw that broke the camel's back was not so much over-produced housing, but the same expansion of consumer credits that we are experiencing today. On top of the drain for consumer credit, payments on local real estate taxes are two to three times what they were even a decade ago.

### Materials Prices Too High

In my opinion, a great amount of new housing is over-priced and not all of this at the builder's level. High prices now have to be paid for inferior lumber grades which begin to show up the first year of ownership. Some houses are loaded with non-essential gadgets to cre-

ate sales appeal. To utilize cheap land, some houses are constructed in non-assessable areas and without all necessary public utilities. Reviewing some of these conditions, should we question the dearth of mortgage money for questionable risks? There is still plenty of money for conventional loans, where the risk is sound and the credit rating good.

The trend of construction costs is still up although at a slackening pace. Labor rates are fixed until something drastic jars them loose. Materials are generally in plentiful supply but there are no signs of price cutting with the possible exception of lumber. The cost of operation, production and freight prevents much of a cut at this time. The prospect of a manufacturer's tax could possibly increase costs as much as 10% on this phase of construction (materials).

Most businessmen with whom I have talked recently, concede that unless the government steps in with some antidote, we will experience a mild recession this coming year, about the same as experienced in 1948-49.

The retrenchment need not be serious — and could be healthy — some unemployment and a more healthy condition in the labor market.

Bankruptcy in the construction field and wholesale markets is running double of what it was last year — but this may be just the weeding-out process of weak elements.

It is a foregone conclusion that if tax relief is given at one point, it will be levied at another.

Defense spending will continue into next year at a high rate, probably \$40 billion.

## NATIONAL REAL ESTATE SECTION

(See also page 42)

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## The Law Says

(Continued from page 39)

THE owner of a building strolled into a real estate office to discuss the sale of the building. The broker said, "what'll you take for the building?" The owner said, "I'll take \$5,000 for my equity." The building was subject to a \$20,000 first mortgage. The broker said that he thought that he could get that, and the owner told him to go ahead. The broker found a buyer and a deal was closed. The owner handed the broker a check for \$250, and the broker said, "What's that for?" The owner said "That's your commission. Five percent on \$5,000." The broker said, "Oh, no you don't. My commission is 5% on \$25,000, the sale price of the building." The owner said, "but I didn't ask you to sell the 'building.' I asked you to sell my equity and that was \$5,000." I don't know the answer to the question. I suggest that you fall into this pit, and get a lawyer to pull you out (if he can) and in that way we can get a decision of our Supreme Court on the point, and then we'll know what the law is. You'll make that sacrifice for us, won't you?

IF I OWN a tumble down house and I say to you, "I'll tell you what I'll do. I'll fix the place up and let you have it for \$50 a month, but if you wish to take it as is I'll let you have it for \$10 a month."

You chose the latter proposition, so it seems reasonable that if you are injured by reason of the defective condition of the premises, the responsibility should fall on you and not me — that is the law.

But let Judge Cardozo in the case of *Junkermann vs Tilyan Realty Co.*, 213 NY 404, peck away at this principle and you will see where we stand. "It has been said that, in the absence of fraud, there is no law against letting a tumble down house. But that statement depends for its accuracy upon many conditions. It is not true if the building is to be used by the public. It is not true if its location makes it a menace either to the passers-by or to adjoining owners. The tumble down structure so unsafe as to threaten the travellers in the highway is a nuisance even though a lessee may be willing to accept it in that state.

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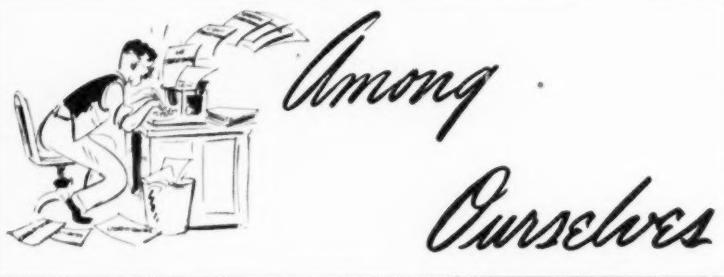
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## NATIONAL REAL ESTATE SECTION

(See also page 38)

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**Have you ever thought about what a creeping, paralytic effect** inflation would have had on your business if its steady march of the past 20 years had not been arrested? In his new book, "Fire in the Ashes," (William Sloane Associates) Theodore White aptly describes the grisly mess inflation has made of France. "The warping of a community by inflation is almost indescribable," White writes.

**"Take housing; since somehow men must be protected first in their homes, rent controls must be slapped on.** Since rents fixed in terms of paper francs are soon reduced by inflation to nothing, landlords will not repair and will not build. No houses get built, and a growing population is crammed and stuffed into falling, disease-burdened slums. Since it is unwise to save to build a house four or five years hence, because by then inflation will have melted the money until it will not even lay a foundation, then buy an automobile and freeze the money. Since it is unwise to buy bonds or stocks which lose their value, buy gold . . ." And on goes the story, taking you through every miserable facet of the inflated French economy.

**Here in our country we can be thankful that the full fury of inflation** has never been unleashed. There are those who say a little is all right; and they have toyed with it as a political tool. But even the small taste we've had in the past few years has tended to make order-takers of our salesmen, has tied the hands of our property managers and obscured the meaning of quality in our new homes. From all indications, 1954 will see competition vigorously boot inflation in the seat of its pants, and the home buyer, tenant, and employer of labor will again call the shots — a healthy condition for all of us.

**In conjunction with NAHB, the Minneapolis-Honeywell company put** a bee in builders' merchandising bonnets a few weeks ago. Twenty home builders from 19 states were awarded nine-day, all-expenses-paid fishing holidays at the Mexican resort of Acapulco for having done outstanding jobs of merchandising their model houses during National Home Week. More than 700 competed. Many of the winners are real estate executives and old hands at merchandising — Al Balch, Seattle; John R. Worthman, Fort Wayne; George Goodyear, Charlotte, North Carolina; I. H. Hammerman II, Baltimore; Frank Robertson, San Antonio; Charles Freeburg, Memphis.

**The garbage grinder manufacturers are certainly doing some effective merchandising** these days. In Aurora, Colorado, a city of 25,000, residents didn't want garbage cans on their streets, so they voted to have electric disposers installed in all new homes, restaurants, and other food service establishments. Owners are permitted to select brand and type of unit, but it must meet minimum standards set forth in the ordinance.

**This is analogous to NAREB's Build America Better plan. If all it took** was a city ordinance to bring every dwelling in a city up to date, how much easier our job would be! In fact, that would be Utopia. The first big job in making BAB a sweeping success is to arouse every property owner in every city to his responsibility, and most important, get him to do something about it.

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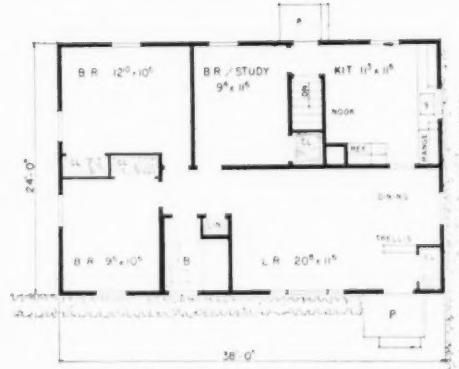
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